DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1953

THURSDAY, JUNE 5, 1952

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to call, in room 225, Senate Office Building, Hon. Joseph C. O'Mahoney (chairman of the subcommittee) presiding.

Present: Senators O'Mahoney, Ferguson, Young, and Johnson.

DEPARTMENT OF THE AIR FORCE

AIRCRAFT AND RELATED PROCUREMENT

STATEMENTS OF HON. ROSWELL GILPATRIC, UNDER SECRETARY OF THE AIR FORCE; LT. GEN. CHARLES B. STONE III, DEPUTY CHIEF OF STAFF, COMPTROLLER; BRIG. GEN. THETUS C. ODOM, DEPUTY ASSISTANT FOR PROGRAMING, DCS/OPERATIONS; AND JOSEPH HOOVER, DEPUTY DIRECTOR OF THE BUDGET, DCS/COMPTROLLER

PREPARED STATEMENT

Senator O'MAHONEY. Mr. Secretary, we are ready to proceed with your testimony. You have a prepared statement. I think without objection we will enter this in the record and have you summarize it.

Mr. GILPATRIC. Very well, Mr. Chairman.

(The statement referred to follows:)

STATEMENT OF HON. ROSWELL L. GILPATRIC, UNDER SECRETARY OF THE AIR FORCE

I am the Under Secretary of the Air Force, and by direction of the Secretary I supervise procurement, production, supply, distribution, and maintenance of Air Force equipment. I intend to discuss broad policies affecting these areas and also answer some of the questions that have been raised by the Congress and the public.

MAJOR PROCUREMENT OF CAPITAL EQUIPMENT

The Secretary showed that 60 percent of our Air Force dollar go for hard goods—capital as contrasted with consumable items. The major part, 53.1 percent of our budget request or $11,000,000,000, is to be devoted to aircraft and related procurement broken down as shown on chart I.

The second major category for procurement of capital equipment in our budget request, "Major procurement other than aircraft," totals $1.3 billion and repre-

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sents 6.3 percent of the over-all budget. The principal items of which this category is comprised as shown by this chart (chart II) are:

Ammunition	$460,000,000
Electronics equipment (such as GCA and other ground radar and communications apparatus)	400,000,000
Flying field and shop equipment	147,000,000
Test and other equipment	123,000,000
Ground powered equipment (including crash trucks, tow cars, fuel trucks, and the like)	110,000,000
Training equipment	60,000,000

BUILDING UP PRODUCTION BASE

The basic policy for procurement of aircraft during the emergency build-up was established on December 18, 1950, in a directive from the Secretary of Defense. That directive had as its principal objective—to establish a broad base for industrial expansion, primarily by providing for multiple sources. That policy still applies, even though the program goal had advanced from 80 combat wings to 126 combat wings. This third chart (chart III) shows in diagrammatic form under the solid curved line the production base for the force-in-being and in the red area the mobilization potential in reserve.

Even though we are to attain a larger Air Force from the production base provided for the 126-combat-wing program, the stretch-out which will delay its attainment until 1955–56 has resulted in some level-off in the production peak, in terms of numbers of aircraft, reflected in previous schedules. While, as the Secretary has pointed out this delay involves serious military risks, it has some advantages from the production point of view. It expands the aircraft industry at a more moderate rate. It reduces the peak requirements for critical machine tools, materials, and manpower. And it spreads expenditures in time with the expected result of a decrease in inflationary pressures.

The new program preserves the principle of creating and retaining a mobilization potential capable of a rapidly accelerated production of aircraft under full mobilization. Let me explain this underlying policy by reference back to chart III.

In the first place, as Secretary Finletter stated, our policy does not provide for the procurement of large numbers of aircraft subject to peacetime attrition and obsolescence to be held in a war reserve against the possibility of sustained offensive or defensive action at some undetermined date in the future. We are following the more economical, albeit more risky—in the military sense—policy of investing not in things but rather in "make-ready" time against the day when it may be necessary to set about turning out greatly increased numbers of aircraft. For example, if on May 1, 1953, either intelligence or an overt act of an enemy should indicate the need for more production, the decision could be made whereby 12 months later, instead of two or more years, monthly production would begin picking up as shown on this line of the mobilization part of the chart. This halving of the present lead time of 24 months on the average assumes full mobilization conditions. During the time between the beginning of that new and greater emergency and the date actual deliveries of aircraft at the peaking-up rates would begin to roll off the production line, a lot of things would be going on. Manufacturers would be hiring additional personnel. Materials would be flowing at an accelerated rate. Short-lead-time tools would be procured. And additional manufacturing space would be converted from civilian to military production.

By providing for multiple sources for its principal items of equipment, the Air Force increases the chances that an atomic attack would not, in a single stroke, destroy our major producing resources. That is one good reason for having three plants in different localities producing the B–47 medium bomber. So far as current production requirements are concerned, two plants might be sufficient, but under full mobilization it would be essential to have the output of all three. The multiple source program also extends to subcontractors. In fact, about 60 percent of the dollars that go to prime contractors flow on to subcontractors. This widening of the base spreads know-how, takes work to the workers, and helps preserve small business. The multiple-source program at the subcontratcing level also provides dispersion and lower vulnerability to attack. On the other hand, by going to second and third sources, we may incur higher costs for some end items, since by placing orders in large volume with single-source producers lower unit costs would probably result.

Real progress has been made by the Air Force during the past 18 months in developing multiple sources for critical items of equipment. Within the major production categories such as airframes, engines, propellers, landing gear, armament, electronic and other instruments, we have analyzed some 5,000 single source items which are potentially critical. In 2,000 cases it was determined that no second source was required or warranted, because in the event of full mobilization supplemental production could be developed on a short-lead time basis. Approximately 1,000 of the items were found to be critical and secondary sources are being developed for them. For the remaining 2,000 items of less critical importance, secondary sources would be necessary in the event of full mobilization, but here action has so far been limited to mobilization planning.

Thus, what we call our production acceleration insurance program in effect buys time, even though it does not insure the immediate availability of all the tools, men, materials, or space required. It is a way of hedging against an unknown war at an unknown time. We take the military risk of not having war reserves of aircraft on hand, but we gain in flexibility. We avoid accumulating quantities of aircraft that might become obsolete without ever being used.

PRESENT STATUS OF AIRCRAFT PRODUCTION PROGRAM

I am sure that you want to know where our aircraft production program stands. Because of the long lead times inherent in present day aircraft procurement, coupled with the fact that the increased appropriations authorized by Congress during fiscal year 1951 did not become available, on the average, until some 6 months after Korea, it was never expected, even under our most optimistic schedules, that the Air Force would be receiving greatly increased output of aircraft by this time.

During calendar year 1951 our monthly production of aircraft may seem to have been sporadic in terms of actual versus scheduled acceptances. For example, during July 1951, deliveries were 99 percent on schedule, whereas the following month they were only 78 percent of schedule. In November deliveries dropped to 69 percent of schedule from 105 percent in October. Yet for the entire year we came within about 10 percent of meeting our schedules (allowing for the revision in schedules that occurred during the summer when the Air Force started on the 95 wing program).

The unit rate of delivery more than doubled in the 12-month period, increasing from a total of —[1] planes accepted in January 1951, to a total of —[1] accepted in December 1951. Even more indicative of the rate of build-up is the comparison of deliveries during these months in the terms of airframe weight. In January 1951, deliveries aggregated only 1½ million pounds of airframe weight. By December the total was up to over 4 million pounds.

The current year should see a still sharper stepping up in output. Many of the planes turned out during 1951 were of the smaller, lighter category such as trainers and Army liaison craft for which lead times are shorter than is the case with heavy combat types. Output of the latter already shows improvement. During the 3 months beginning with March of this year, the Air Force will take delivery of one-half as many bombers and fighter aircraft as were accepted during the entire year 1951. Monthly deliveries during the first 4 months of this year have averaged over —[1] units and nearly 6 million pounds in airframe weight. But not until the end of this year, however, will we reach peak unit production. And in terms of airframe weight the high point will not come until the middle of 1954.

The reasons for the apparent slowness with which our production has picked up have by now a familiar ring. First among the causes was the lack of tools. All of the Government planners—we in the military as well as the civilian agencies—underestimated the time it would take to expand the machine-tool industry in order to provide the large quantities of tools required for the quantity production of jet engines—and jet engines have so far been the principal limiting factor in aircraft production. Airplane manufacturers have also had their troubles in obtaining new types of tools (such as skin and spar mills, stretchers, and heavy presses) needed for the vastly more complex aircraft models being built today.

Under full mobilization we would not be waiting for new plants to be tooled up for production. We would now be making jet engines in automobile plants

[1] Deleted for security reasons.

which have tools in place, although some new tooling would have been necessary in any event. In the prevailing limited mobilization, however, the major industrial plants have continued to produce civilian goods, and the military requirements have necessarily been superimposed upon that production.

As regards the machine-tool industry itself, restrictive price ceilings, lack of material allocations, absence of financial assistance, and a general failure to give tool builders an incentive to expand—all contributed factors to slow down the hoped for expansion. Some of the necessary action has now been taken, but the output of machine tools is still not equal to the current demand for a number of critical types.

Another cause for delay was the need to expand producers of so-called B products, by which is meant components and parts used both in military and civilian production. Slowness in authorizing materials priorities for manufacturers of such components, whose material requirements were not originally included under CMP, and their own unwillingness either to expand or to license others to manufacture their products have greatly lengthened the flow time between the placing on order and the delivery of these B items. Action recently taken to accelerate the production rates of B products should help arrest the unfavorable trend in flow times.

Still another factor in part responsible for delays in reaching large-volume production of aircraft is the continuing necessity for insuring the superiority in performance of our planes and their equipment. Even during the build-up period the Air Force intends to introduce new models and modify existing designs where such changes will assure the continuance of technical superiority in combat. This policy may from time to time force us to accept some temporary loss in production. Meanwhile, however, in order to make certain that only those engineering changes that are necessary for safety in flight or for higher combat effectiveness are introduced into aircraft models aready in production or which have reached a stage of development at which changes would affect prospective production, the Air Force has put into effect a drastic restriction on such changes. Under this so-called design freeze, all proposed revisions are screened and studied for essentiality, and final approval for the changes rests in the Office of the Deputy Chief of Staff charged with the responsibility for maintaining production.

Certain strikes during the past year, particularly those in the copper, aluminum, and aircraft components industries, adversely affected aircraft production. A considerable quantity of jet engines of the type used in the F–86 aircraft, presently deployed in the Korean theater, were lost to the Air Force as a result of a strike at an aluminum processing plant in mid-1951. Because of another strike, there has been a delay in the availability of the new jet engine for our F–84F fighter bomber. Other work stoppages have aggravated shortages of Government-furnished equipment.

PROSPECTS FOR FUTURE PRODUCTION

In the face of this chronicle of past production difficulties, you may question whether the Air Force is justified in believing that its new production schedules can be met. We believe so for several reasons, although the production of certain jet engine types will continue to be delayed for lack of machine tools. The favorable factors are as follows:

In the first place, the new schedules reflect at the outset current production rates which have been accelerating at a known tempo. We are not attempting to increase that tempo indefinitely, but rather to continue it to a certain point and then level off at substantially below the previously planned peak.

The proposed new level-off point is, we believe, well within the presently planned productive capacity of the aircraft industry. While our new schedules presuppose that certain expediting actions will be required to obtain necessary machine tools and critical materials, they do not depend on an across-the-board policy of special or emergency measures. In fact, our demands on the national supply of production tools and materials will be considerably less than the pre-stretch-out period called for. Future production has been rescheduled so that its maximum requirements will occur only after additional sources for material and tools have been developed.

As a result, there should be less conflict between the demands of military and civilian production for materials, manpower, and machines throughout the time period of the stretched-out program. The aircraft industry should produce steadily at less sharply increased rates with continuous employment and still retain its mobilization potential.

To obtain the reaction of industry to these new production schedules, the Air Force has consulted with most of its major contractors. With few exceptions the industry representatives who have been heard from express accord with the new program and assure us that our new production goals are attainable, given some measure of expediting assistance.

LENGTHENING OF PROCUREMENT LEAD TIME

Of great concern to the Air Force is the substantially lengthened lead time required in aircraft procurement. This is reflected in the addition of 6 months to the period for which we are asking financing authority in our fiscal year 1953 budget request.

The production interval between the placing of a follow-on or repeat order and the delivery of the end item has increased markedly since Korea. An independent survey conducted by the Stanford Research Institute for the Air Force has confirmed information to that effect given to us by our contractors. What has happened, so the study confirms, is that while the actual fabricating cycle is being shortened as aircraft manufacturers reach higher volume production, flow times in obtaining raw materials, finished parts, components (principally B products) and production equipment are lengthening. The study further indicates that the trend seems likely to continue until the capacity of thousands of vendors and suppliers can be substantially expanded.

I have here a chart (shaft IV) which shows the present lead times on the major types of aircraft in our program together with the flow times for their most critical components, including materials, engines, radar, and fire-control systems. You will observe that the current lead times range from 18 months for smaller and less complicated aircraft types such as training planes, increasing to 22–25 months for fighters with greater amounts of armament and electronic gear, and reaching as high as 30 months for heavy bombers.

For budgetary purposes, we estimated the average of these increased lead times as 24 months, as contrasted with 18 months a year ago. When we come to pricing out and contracting for particular models, their procurement will be financed on the basis of the actual lead times for those models, and the 24 months average reflected in the budgeted figures may prove to be conservative.

The causes for this substantial lengthening of lead times are twofold. The limited capacity of existing equipment for processing certain types of raw materials, such as forgings and special shapes used in fabricating our latest aircraft types, have stretched out the order time for materials. The second and even more significant area of increased delay is the added time required for ordering so-called B products which is attributable to conditions already mentioned.

To compress the lead time of our own administrative process the Air Force has to the maximum practical extent decentralized contracting control. It has delegated authority to its various procurement districts so that many decisions can be given to the contractors with a minimum loss of time and with the least amount of paper work.

I cannot overstate how important it is to the attainment of the Air Force program that we be financed fiscal year '53 for an additional 6-month procurement lead time. Lacking the ability to place on contract out of fiscal year '53 funds the aircraft scheduled for delivery from January 1 to June 30, 1955, the Air Force would either be confronted with a gap in its production program during that 6-month period or it would have to reprogram presently scheduled deliveries at a lower rate out over the same period. As the first choice involves too great a risk, we would be compelled to adopt the latter alternative. In either event, it would be impossible for us to reach our projected end strength even by the present target date. A reduction of the forces scheduled to be in readiness by that date and a further postponement of the target date for the 126-combat wing force level would involve obvious dangers to which the national security should not be subjected.

INCREASED COSTS AND WHAT THE AIR FORCE IS DOING ABOUT THEM

Among the factors accounting for the large sums requested in our budget for aircraft procurement are the increasing complexity of modern aircraft, the costs of the broadened base and multiple-sources program, and price increases since World War II.

There has been some leveling off in costs during the last half of 1952, and these factors have been taken into consideration in preparing our fiscal year

1953 budget estimates. The number of man-hours per airframe has not changed greatly; wages, however, have gone up since the last war and with them the cost per pound of finished aircraft. The modern complex equipment which increases the cost of aircraft procurement also improves bombing or defensive capability, saves lives and insures our capacity to fly close to the speeds of sound.

The over-all increases in cost have compelled the Air Force, in fulfilling its obligation to the Congress and the people, to employ economically the resources available to it and to keep to a minimum requirements for end items. We have an Equipment Survey Board of general officers who review equipment requirements. A team sponsored by this Board, for example, recently went to Korea, talked with the officers and airmen handling fighter and bomber units to determine which items of equipment met their requirements effectively, which were of little use and could, therefore, be dropped, and what other requirements existed in the light of combat conditions. This procedure of review is reducing end-item requirements and thereby saving the taxpayers' money. The Air Force is determined to control and where possible to reduce its investments in equipment on hand whether in units, base stock, depots, or what we call the movement pipeline.

Let me call your attention to this graphic presentation of the flow of equipment in the Air Force (chart V). Airplanes are flown from the manufacturer to the units or bases; other material items flow into depot stocks and then move from depot to base stocks either through: (*a*) a long, overseas ocean system of transportation, or (*b*) a somewhat shorter railroad-transportation system, or (*c*) a truck-transportation system which usually takes less time than rail, or (*d*) air transportation which is the shortest pipeline of all combinations of each of these routes are often used.

You will note from this next chart (chart VI) that our objective is to reduce depot stocks and base stocks insofar as possible and by more efficient management to speed up the flow in each of the four pipelines, thus eliminating the need for investments in greater quantities of supply items that otherwise would be required. Our approach is that of the manager of any business who studies one cost phase after another—always with the objective of reducing operating expenses. The process is a continuous one and in business arises from the desire to increase profits through controlling costs.

While the military do not have the direct profit motive as a test of good management, there is a real incentive for us to make prudent use of our resources and stretch our budget dollars as far as possible. As Mr. Finletter has pointed out, the multiple screening and reviewing processes to which our budget requests are subjected both within and without the Department of Defense require us not only to figure closely but to spend carefully in order to support adequately our combat and training forces. It is the policy of the Secretary, the Chief of staff, and our major air commanders, to reduce capital investments and operating expenses to a minimum consistent with keeping our planes flying. We assert this not as a theory but as a fact. May I give you a concrete example.

REDUCTION OF ENGINE SPARES FACTORS

As the result of a careful study, the Air Force has been able to reduce substantially its requirements for the use of spare support engines (chart VII).

When an engine is taken off an airplane at a base for overhaul, it must be replaced by another engine in the base stock. The engine is then shipped to a depot where it enters the stock awaiting overhaul. As you know, this is a factory operation and in order to produce efficiently some back-up stock is needed. Next, the engine passes through the overhaul cycle, being torn down, its parts repaired or new parts added, inspected and reassembled. After tests, the overhaul engines goes into depot stocks and finally moves through the transportation pipeline back to the base.

Formerly the Air Force allowed 180 days within the United States for an engine to move through the pipeline from and back to the base stock. For overseas engines, the total time cycle was 255 days. Through better planning the base management, the Air Force determined it could cut base stocks in half; for example, engineers were more promptly crated for shipment. As a result of better follow-up control through the transportation system, the Air Force found that it could reduce the investment in that share of the pipeline devoted to moves to and from the depots. Thus, in the zone of interior as well as in the overseas pipeline, an investment representing 45 days of supply was saved.

This policy of improved use of resources and better management of capital investment is shown most strikingly by this chart (chart VIII) on the B–47. The airplanes we are talking about were provided for in fiscal year 1951 and 1952 appropriations. Under the former method, as under the new method, the number of initial installation engines, that is, the six on the original aircraft, were the same—in this case a total of 5,220. As a result of the new methodology and reduced pipeline factors, the spare engine requirement was reduced from 13,348 to 8,986. The total savings on engines to support B–47 aircraft provided for in the fiscal year 1951 and 1952 budgets was 4,362 of engines that would have cost $200,652,000. The same approach was applied to other jet and reciprocating engines.

In this fashion the Air Force has reduced its over-all requirements for spare engines by $1,500,000,000. This represents money which Congress will not have to appropriate for engines, unless subsequent experience proves that we have cut too much. There are still "doubting Thomases" among us who feel that we have, and we shall watch our statistics carefully to insure against error and to make sure that this program works.

Again, I repeat this is a sample of a continuing systematic, managerial approach by the Air Force in the fulfillment of its responsibility to the Congress and the people. We shall be unable to give many such dramatic demonstrations because it is obvious that we, like businessmen, have approached the big dollar items first. In fact I was somewhat hestitant about putting before you even this example since by its use we have "oversold" the House Appropriations Committee. In explaining why it recommended a reduction of $560 million in our budget request for aircraft and related procurement, the House committee stated as its opinion "that some vary material reductions can be made in the number of spares and spare parts." Unfortunately, the major benefits deriving from efficiency in this area are already reflected in our budget request. While we appreciate the implied compliment, if one was intended by the House committee, the same savings cannot be realized twice, inasmuch as the techniques that I have described are already standard Air Force practice.

THE PROCUREMENT JOB

You are familiar with the complaints voiced by industry and others concerning the long delays in the negotiation and placement of contracts by the military services. The procurement cycle in Government contracting is a long one, and understandably so under present conditions.

In the first place, the size of the job is staggering. Chart IX shows the swings in aircraft procurement from 1947 through fiscal year 1952. In 1946 our appropriation for aircraft procurement was nominal in amount, because the Air Force had been left with substantial plane inventory at the close of World War II. In 1947 it amounted to $370,000,000; in 1949 for the 70 Group Air Force it rose to nearly $2,000,000,000; then it fell back to $1,300,000,000 in 1950, soared to $6,500,000,000 in 1951, and reached approximately $11,000,000,000 in 1952. It is a considerable task to build a procurement organization from a staff equipped to handle $1,300,000,000 worth of production in 1950 to one capable of managing a level of $11,000,000,000 2 years later. During the current fiscal year the buying organization at Air Matériel Command will be handling some 20,000 different procurement actions involving in the neighborhood of $16,000,000,000. This greatly increased workload will actually be handled by a smaller organization than the Air Force had 8 year ago. To be specific, during 1952 the Air Force is handling about 9,000 more contracts than it did in 1944 with less than half the number of people employed in that year.

Some mistakes are bound to be made in such an expansion. Many businessmen have told us that they do not see how we have done as well as we have. I wonder if you realize that the magnitude of the buying effort of the Air Matériel Command exceeds the total annual buying operations of General Motors, Standard Oil of New Jersey, American Telephone & Telegraph, United States Steel, and the du Pont combined?

Another major cause for the length of the procurement cycle is the number of injunctions and guidelines laid upon contracting officers by the Congress, the President, the National Security Council, the Office of Defense Mobilization, the Secretary of Defense and other Government agencies. Here, for example, are some of the do's and don'ts that Air Force buyers must keep in mind in the

placement of orders besides the overriding considerations of getting the most for the Government's money and not buying in advance of needs:

(1) Favor small business;
(2) But also favor business, whether large or small, in distressed areas;
(3) Maintain economic equity between geographical areas and groups; but at the same time
(4) Encourage the dispersal of industry;
(5) Broaden the Nation's economic base and implement mobilization plans, but in so doing
(6) Avoid concentration of economic power and support the Government's anti-monopoly program.
(*a*) Enforce mandatory antidiscrimination, child labor, fair-labor standards, minimum wage, and compulsory subcontracting laws and regulations;

Then there is a miscellaneous collection of the ground rules, such as—

(*b*) Honor the Buy America clause in the law governing stockpiling; and
(*c*) Favor firms which have received low allotments of controlled materials.

Small wonder that the procurement process at Air Matériel Command now consumes on the average over 4 months.

To handle a buying job of such proportions and with so many legal and technical requirements, the Air Matériel Command has developed a system based on commercial purchasing methods. This system was set up by the first Under Secretary of the Air Force, Mr. Arthur S. Barrows, formerly president of Sears, Roebuck & Co. Under this system Air Matériel Command has 140 buyers or contracting officers with 300 assistants (backed up by analysts and lawyers). Each of these buyers specializes in certain types of equipment or groups of commodities. During the past 18 months this buyer organization has been responsible for contracting some $17,000,000,000 (including $5,000,000,000 disbursed through other Government purchasing agencies) representing the aggregate cost of upward of 700,000 different items. This tremendous purchasing activity might be compared with that of one of America's larger corporations which in the same period of time spent $750,000,000 for the purchase of 15,000 different items with 34 buyers and 772 back-up personnel. Another concern employing 12 buyers backed up by 50 assistants spent $150,000,000 on about 12,000 different items. Based on these similar comparisons with industrial purchasing by business organizations, we feel that the Air Matériel Command buying organization is both effective and efficient.

QUALITY CONTROL

In order to insure that the Government obtains what it orders, quality control must be maintained. This action is especially important on aircraft where risk of accident is increased if there is a failure to deliver according to specifications. Quality control is insured through a system of inspection of parts and finished items at the point of manufacture. Since World War II the Air Force has adopted a statistical quality-controls system based on sampling procedures widely used by the most advanced businesses. Chart X shows the effect of these new procedure. Today the Air Force is using 3,600 people to inspect items delivered on 23,943 contracts, whereas under old inspection methods, 10,000 people would have been required. The savings in inspection expense funds amounts annually to nearly $20,000,000.

SUPPLY SYSTEM

Finally, a word about the Air Force supply system through which are handled more than a million items, 600,000 being Air Force procured and about 400,000 being procured for us by the other services or the General Services Administration. During the past year the Air Matériel Command handled 4,000,000 tons of supplies, of which one-twentieth was shipped overseas.

Our supply system in the United States is divided into two zones (chart XI), one east and one west of the Mississippi. Each property class is now handled by only two prime depots, one in each zone. Thus the bulk stocks of each supply class are concentrated in only two depot locations as opposed to the former method of having every item in every depot. This change in supply procedure has made for better management control of stocks and, we estimate, has reduced our normal stock levels by about 2½ months of supply—another major reduction in the logistics pipeline.

In conclusion I would like to read to you a message recently sent out by the commanding general of the Air Matériel Command to the more than 176,000 personnel serving under him:

"Our moral duty in using the resources entrusted to us by the taxpayer is to provide the Nation with the greatest amount of security through air power at the lowest possible cost. The Air Matériel Command economy program strives to make cost-consciousness so instinctive in all military and civilian personnel that savings in money, manpower, time, and matériel will insure delivery of 'more Air Force per dollar.' Every man and woman in Air Matériel Command must be constantly alert to eliminate wasteful practices and to devise new methods for efficiency in all operations. All supervisory personnel must take positive action to generate within themselves and every employee under their jurisdiction an acute awareness of the necessity for greater frugality and prudence."

It is in this spirit, gentlemen, both as a fighting and a business organization—that the Air Force goes about its job.

PRODUCTION AND INDUSTRY EXPANSION

Mr. GILPATRIC. As you know, my responsibility in the Air Force under the direction of the Secretary consists of supervising all production, procurement, industrial expansion, supply and maintenance and therefore I have directed my statement toward those areas, supplementing what the Secretary has told you.

We are endeavoring to do two things during this build-up period in the Air Force in this area. Besides equipping our forces and building new aircraft and equipment, we are also trying to broaden the industrial base so that in the event of an all-out emergency or crisis we would have a production potential which we do not have now.

I recognize that issue is controversial. I think Mr. Baruch testified before your committee, Senator Johnson, he felt more emphasis should be put upon the end items, getting actual combat aircraft, than facilities. But the policy of the Department of Defense has been to give emphasis to both.

MACHINE TOOLS

I would like briefly to summarize what has been accomplished in those two respects. The Congress has given us, since Korea, approximately $2 billion to spend on industrial expansion, broadening the base and giving us more production potential. Off that $2 billion, roughly $1,100,000,000 is for tooling, machine tools, production equipment to put into existing plants, either plants which were built during World War II for aircraft production or plants of automobile companies and other manufacturers of civilian equipment which have been converted or made available for military production.

That $2 billion which Congress has appropriated in prior appropriation bills has been practically all programed and substantially committeed, to be precise, $1,700,000,000 of the $2 billion has been already obligated and the work of tooling up existing and stand-by plants, is very well along.

OBLIGATED FUNDS

Senator O'MAHONEY. What do you mean by the words "substantially committed"?

Mr. GILPATRIC. $1.7 billion out of $2 billion has been obligated.

Senator O'MAHONEY. But the word "substantially" is a qualification. Did you mean by using that that it really is not committed but you expect to commit it?

Mr. GILPATRIC. I mean $1.7 billion is committed, and I consider that a substantial part of $2 billion, Mr. Chairman.

RETOOLING OF PLANTS

Senator YOUNG. How much of the plants have been retooled or to what extent have the installations been retooled?

Mr. GILPATRIC. We are well more than halfway along in getting all of our facilities in operation. We have three or four major second sources which are not yet fully tooled up. For example, the General Motors plant in Kansas City which is going to make fighter bombers as a second source. The Buick Co. in Michigan which is going to make jet engines for those fighters. A number of other automobile manufacturing plants which either were not making jet engines at all or which are new plants, have not been fully tooled. Studebaker and Packard, which are making engines for the Sabrejets and the B–47, will only come into production the latter part of this year. So that of the 40 or 50 major plants we have in the aircraft program there are still about 8 or 10 which are not fully tooled up yet. There are still machine tools to be provided before those plants can be in full operation.

We have, however, during this 2-year period succeeded in substantially expanding the sources for our principal items of equipment. We have brought in second or third sources for over a thousand critical items. And we are planning on mobilization requirements for 2,000 more.

We feel our analysis of our requirements indicate that there are perhaps as many as 5,000 critical items. I am going beyond, of course, airframes and engines into various types of equipment, instruments, armament, electronics. And all in all we figure that we will need sources for at least 5,000 critical items over and above what we presently have.

Senator O'MAHONEY. Sources that you do not now have?

Mr. GILPATRIC. We did not have at the time of Korea. We have already provided additional sources for a thousand of those items, the most critical.

Senator O'MAHONEY. You will remember at the last session of this committee there was considerable discussion about the present capacity to produce. You were testifying in response to questions asked by Senator Ferguson and other members of the committee. It took some time to get definitely on the record the extent to which the monthly rate of production of aircraft could be achieved with the present facilities. As I recall the testimony, it was about 2,000 planes a month.

Mr. GILPATRIC. That is our mobilization capacity at the present time.

Senator O'MAHONEY. At the present time?

Mr. GILPATRIC. Yes.

Senator O'MAHONEY. In other words, you do not need any new sources of production line to attain that delivery of aircraft provided you have the money to pay for them?

Mr. GILPATRIC. That is correct.

INSURANCE PROGRAM

What we are doing, Mr. Chairman, under what we call our acceleration insurance program is providing out of the money that has been appropriated to the Air Force by Congress enough money to tool up plants in existence over and above those that are currently required for presently scheduled production, enough capacity so that within the 12 months it would take to divert the labor of automobile and other civilian items of manufacture, to get the materials flowing through, to procure short-lead-time items of equipment that are not provided under this plan, we could shorten the time within which we could reach our production potential, that 2,000 rate a month you referred to, to 1 year. In other words, if, for example, in July or this month, the month of June 1952, all-out war occurred, we would be able by June of 1953 to start going up to that 2,000 a month rate, this being—it does not show on this chart because it is not classified—this being our presently scheduled peak rate of 900 a month.

PRESENT RATE OF PRODUCTION

Senator O'MAHONEY. Your present rate of production is 900 a month?

Mr. GILPATRIC. That is our present scheduled peak at the end of this year.

Senator O'MAHONEY. But your capacity is there——

Mr. GILPATRIC. To go up to 2,000.

Senator O'MAHONEY. In order to go up to 2,000, what do you need?

Mr. GILPATRIC. We need additional manpower because of course we do not have the working forces employed today for more than the 900.

Senator O'MAHONEY. Do you need additional manpower in the Air Force?

Mr. GILPATRIC. No, I mean in the industrial facilities, the manufacturers' plants. They would have to build up their working forces to step up their production rates. We need more materials and we would need some short-lead-time tools.

Senator O'MAHONEY. Then all you need to accomplish that is to have obligational authority which would enable you to make the necessary contracts with the owners of the production lines?

Mr. GILPATRIC. That is correct.

MACHINE TOOLS ON ORDER

Senator O'MAHONEY. You don't have the machine tools?

Mr. GILPATRIC. We have practically all the machine tools on order now. Many of them are installed on some critical items, on a one-shift basis. That has been the ground rule laid down by mobilization planners. If we go on two shifts across the board or even three shifts with existing tools, that helps us in part reach that 2,000 a month rate.

CURVE OF PRODUCTION

Senator O'MAHONEY. I understand that the black line on that chart represents the curve of production on the present estimate of appropriation.

Mr. GILPATRIC. Yes; the so-called stretch-out, the $20,700,000 budget that is before you.

Senator O'MAHONEY. So that under that stretch-out it will be the production that will decline, not the production base?

Mr. GILPATRICK. Not the capacity.

Senator O'MAHONEY. The capacity remains the same, but you could increase the production of end items by increasing the appropriation?

Mr. GILPATRIC. Yes, with very little in the way of additional funds for facilities. We have, for example, the engine test cells which are always a choke point in any expansion of jet-engine production. We have already in place and substantially instrumented the test facilities for a far greater production of jet engines than we are presently contemplating.

OBLIGATED FUNDS

Senator O'MAHONEY. I showed you at the last session this statement of funds available for obligation, showing in the last column the balance available for obligation as of the 1st of July 1952, which under this estimate compiled by the Office of the Comptroller as of May 24, 1952, amounted to $3,372,556,224, of which $1,287,015,966 was in the Department of the Air Force. This table also shows the obligations obtained for the 10 months July 1951 to April 30, 1952. For the Department of the Air Force that amounted to $14,779,194,770.

I point that out to you because a computation of the rate of obligation which was exhibited during that 10-month period would indicate that in order to have obligated so much of your appropriation as to leave only that $1.2 billion or whatever it is——

Mr. GILPATRIC. Most of which is for base construction, public works.

AIRCRAFT AND RELATED PROCUREMENT

Senator O'MAHONEY. You would have to step up your rate of obligation very substantially. Aircraft and related procurement, for example, the balance available based on the average rate of the first 10 months would be $2,375,000,000, and the estimate which you have would indicate that in order to exhaust all of your obligation for that you would have to step up the commitment during May and June.

Mr. GILPATRIC. We have, and except for about $200,000,000 which we have to keep in reserve for engineering changes and modification, substantially all of that—and I say substantially in the sense of over 95 percent—will be actually under contract by the end of the year.

Senator O'MAHONEY. According to the analysis which I have here the average per month expenditure or commitment, January through April, was $753,574,899 a month. The estimate of the Department of Defense jumps that up to $1,140,379,140. The balance available based on the average rate for the first 2 months would be $2,375,608,480.

Mr. GILPATRIC. Yes.

PRODUCTION STRETCH-OUT ACCUMULATES FUNDS

Senator O'MAHONEY. Now, this is a matter which I think is of the utmost importance because an examination of these figures seems to indicate that in the Department of Defense as a whole there is a ten-

dency to accumulate unexpended obligated balances. It is that thing which has led to the cuts made by the House and to the expenditures limitation without any question.

Mr. HOOVER. I believe it should be pointed out that the rate of obligation within the appropriation aircraft and related procurement that you are referring to was percentagewise and ratewise much higher than the average indicated by you for the first 10 months. The slowdown of obligation as to appropriation came about after December as a result of the stretch-out when the Air Force had to actually almost stop, and replan, and regroup to accommodate to the stretch-out. This required the modification of many thousands of contracts. Therefore it is only now that we are getting back into the planned program of reducing further orders to a contract status.

Just as Mr. Gilpatric stated, we have made a very careful examination particularly in that appropriation and have determined that the unobligated balance as of the 1st of May, $3,880,758,280, that all but a small portion of that will in fact be obligated and that amount which will not be obligated will be funds which are designed to be carried forward the next fiscal year to cover engineering changes which always come about during the production life of the aircraft.

Senator O'MAHONEY. Then you want us to understand that so far as aircraft and related procurement is concerned, on the basis of the estimate which is the original stretch-out, you will be able to obligate all of those funds.

Mr. HOOVER. Yes, sir.

Senator O'MAHONEY. For fiscal 1952 and will have no carry-over under that category.

Mr. HOOVER. Except for a small amount required to be retained to meet the contract adjustments due to engineering changes which will normally be incorporated in the subsequent years. We could go ahead and even obligate that money this year and use 1953 appropriations to substitute for it. We have a requirement for it, but by the design of our program we intentionally hold a given amount as unobligated so that we will have the funding capability in 1953 to pay for these change orders as they come about.

MAJOR REPROGRAMINGS

Mr. GILPATRIC. The reason for the accumulation toward the end of the fiscal period, the last month you refer to, in stepping up obligations, has been the two major reprogramings that took place during the year, one, the 95 to 126 program which came in October and November after approval by the President, and then the stretch-out by the President and the National Security Council which compelled us to go back and reprogram all over again. That did slow us on putting on our contract our procurement dollars, but we will certainly use them by the end of the year.

ACQUISITION AND CONSTRUCTION OF REAL PROPERTY

Senator O'MAHONEY. Now, this table which I obtained from the Office of the Comptroller General shows the balance of obligation as of the 1st of July 1952 for the Air Force of $1,287,015,966, of

which $1,279,999,966 is under the category of acquisition and construction of real property. The questions that I was asking before you came in, Senator Ferguson, were intended to determine whether there would be any carry-over in these other categories, particularly in the category of aircraft and related procurement. The answer to that you have heard since you came in.

Senator FERGUSON. Yes.

Senator O'MAHONEY. Now, with respect to this acquisition and construction of real property in which there is an estimated balance available for obligation of $1,279,999,966, what is your comment?

Mr. GILPATRIC. Again that delay in getting our construction planned and our money actually out on contract with engineers and contractors for bases has been due to the many changes in our base program over the past 6 or 8 months. It is a much harder job to get that money out than it is aircraft procurement money.

Senator O'MAHONEY. What bases are involved?

Mr. GILPATRIC. A good part of that——

MILITARY PUBLIC WORKS

Senator FERGUSON. Can you give this committee a proposed plan on all these bases? I mean to furnish it later, not right now?

Mr. GILPATRIC. Yes; and it is coming up before Senator Long's subcommittee on the whole base program.

Senator O'MAHONEY. That is before armed services?

Senator FERGUSON. I appreciate that, but I think this committee ought to see that picture. I see Senator Johnson here, and I know how he is interested in what has happened in North Africa of alterations and changes and so forth.

Senator O'MAHONEY. Before we pursue that, let us get this specific answer to this $1,279,999,966. Now, what bases are involved in that category?

Mr. GILPATRIC. That includes both bases in the zone of the interior and bases overseas. That includes money, for example, appropriated for Portsmouth, N. H., for Hammonton, N. J., and for a number of particular projects where there has been a good deal of controversy and further hearings have been requested.

Senator FERGUSON. How much money is involved in those two?

Mr. GILPATRIC. Portsmouth alone is $50 million and Hammonton is $80 million.

Senator O'MAHONEY. Suppose you give us a list.

Mr. GILPATRIC. I think I had better put it in.

(Classified information was furnished to the committee.)

REAPPRAISAL OF AIR FORCE BASES

Mr. HOOVER. I would like to add that basically this construction program when it was initially placed before this committee and you provided the money for fiscal year 1952 that envisioned the base layout for a 95-wing program. When it was decided we would go to a 143-wing program, it was necessary to regroup and reanalyze base requirements and layout, which required considerable adjustment.

Senator FERGUSON. Yes; but it should not include abandonment.

Mr. HOOVER. It is not the question of abandonment. It is a question of a reappraising your requirements for a larger expanded group or structure to make certain that what you do order in the way of construction is in fact now required for the enlarged program and you are not wasting anything.

Senator FERGUSON. Yes; but when you laid out 95, was it not anticipated that there would be further growth at those particular airports?

Mr. HOOVER. At those particular airports, yes; but consideration was not necessarily given as to what would be the requirement worldwide for an air force of 143 wings rather than 95 wings. So rather than go forward without reexamining our position and requirements, they actually made the reexamination first, which has in fact delayed the issuance of directives to the Corps of Engineers to proceed with the construction program. Now, this amount plus the additional amounts which the President has just submitted to the House——

Senator FERGUSON. That is a public works bill.

Mr. HOOVER. Public works appropriation bill will come before this committee in due course and all this plus the additional amount will be fully explained.

Senator FERGUSON. We will hear that, but show on this chart now here, what it is, production, 900 by June of 1953.

Mr. GILPATRIC. Yes.

WING PROGRAM ESTIMATE

Senator FERGUSON. Again I have to ask how many wings, not how many wings are you going to be able to produce at that time. It does not give us any information to say 900 planes. They may all be Cub trainers or they may all be B–36's. The question is: How many wings can you produce?

Mr. GILPATRIC. We are going to have activated by that time over 100 wings.

Senator FERGUSON. That is not my question. How many can you produce by that time? What is your capacity to produce wings? I am talking about wings that are in planes, and then later we will get to the personnel to operate the wings and then the bases to operate the wings.

Senator O'MAHONEY. In order to clarify the question and my own understanding of the testimony at the last hearing, was it not your meaning that in producing the capacity to produce 2,000 planes a month you meant we had the capacity to produce all of the required planes to equip 143 wings?

PRODUCTION CAPACITY

Senator FERGUSON. They said their capacity now is between 20 and 30 wings per month. Now, what is it there when you talk about 900 planes in June 30 of 1953? How many wings?

Mr. GILPATRIC. That would be between four and five wings.

Senator FERGUSON. How can you say four to five wings then and at the present time between 20 and 30 wings?

Mr. GILPATRIC. No; the 20 and 30 related to the 2,000.

Senator FERGUSON. You say you have production capacity which is personnel in factories, factories with enough equipment, or you can

get personnel in factories, with enough machines and tools and so forth to produce 20 to 30 wings now.

Mr. GILPATRIC. Only if we went all out.

Senator FERGUSON. Certainly, if you worked the factories full capacity.

Mr. GILPATRIC. But under our present scheduled production rates we are not coming anywhere near the 2,000. It will be 900, which is a fraction of the wing growth that will be provided by all-out mobilization.

Senator FERGUSON. Here you are in July of 1952. You have no figures on that chart. What is your capacity today? You have a production base here, production schedule. You have a schedule. How many planes is it today?

Senator O'MAHONEY. Senator, before you came in, the Secretary, I thought, answered that question. This represents the peak of production at the present time with the present money. It is not 2,000.

Senator FERGUSON. But we come down here to 1952 today.

Senator O'MAHONEY. You mean today?

Senator FERGUSON. Yes; there we are there.

Mr. GILPATRIC. The month of May we produced 558 aircraft just for the Air Force.

WING PROGRAM INTEGRATION

Senator FERGUSON. That does not mean a thing to this committee. Five hundred and fifty-eight airplanes does not mean anything. What kind of airplanes?

Mr. GILPATRIC. Those range from B–36.

Senator FERGUSON. Will you give us the schedule for the record or if it is off the record, give it to us so that we will know how many planes and of what kind so that we know what you are doing as far as producing wings are concerned.

(Classified information was furnished to the committee.)

Senator O'MAHONEY. I do not want to ask you a leading question, but it was my understanding of the testimony that when you talk of so many planes per month, you are talking of the production of planes according to your integrated program necessary to produce a certain number of wings.

Mr. GILPATRIC. That is right. And every month or so we activate another wing or two and we gradually build up to the 95 and from the 95 up to the 143.

Senator O'MAHONEY. In other words, when you say 590 planes or 2,000 planes, you are not giving the implication that they might all be Cub planes or all bombers but they are the planes according to the program on which your wings are based that would be necessary to produce a certain number of wings during that period, am I right?

Mr. GILPATRIC. That is correct.

Senator FERGUSON. But the reason I ask these questions, recently I got a schedule from you and in 1 year you made two bombers. That was in 1947.

Mr. GILPATRIC. Yes.

WING PROGRAM GOAL

Senator FERGUSON. So it requires me to know more than what you say, five hundred and some planes.

(Discussion off the record.)

Senator JOHNSON. When you were before the committee last year you were asking for money to build how many wings? What was your goal?

General STONE. Ninety-five.

Senator JOHNSON. Congress made this appropriation. The committee acted. You went down and in October you decided you would go to 126 combat or 143 total wings. That would be your minimum requirement for the maximum danger period of mid-1954, is that correct?

Mr. GILPATRIC. That is correct.

Senator JOHNSON. They came up here and said to us, "We want 95 wings. That is our program." That was last spring. I did not participate in this, but I supported it. This committee had some doubt about it, as the Congress has from time to time, and they put more money in than had been requested, as you remember. It later came out in Congress.

Now, from July 1, we will say, to October you decided you would go from 95 to 126 combat wings, and that is the minimum requirement according to the Joint Chiefs of Staff for the maximum danger period, mid-1954, that is correct, is it not?

Mr. GILPATRIC. Yes, sir.

WING PROGRAM STRETCH-OUT

Senator JOHNSTON. Then you went along for at least 60 days without a change. You went from October to December. Congress was not in session and had nothing to do with it, but in December you decided—I am talking about the Government, the executive branch—that you would start up from 95 to 126 from July to October, then December you said, "We are going to come back and instead of getting that 126 in mid-1954 we are going to stretch it out an additional year," is that correct?

Mr. GILPATRIC. That is perfectly right.

MINIMUM AIR FORCE

Senator JOHNSON. Now, is there any person in military circles that disagrees with the conclusion that our minimum Air Force ought to be 143 wings?

Mr. GILPATRIC. If there is, I have not heard of him.

Senator O'MAHONEY. Senator, I want to supplement what you want to say because it helps to answer your question. I asked General Bradley that same question, whether he had suffered any change of mind with respect to the critical date, and he said he had not.

Senator JOHNSON. That is right; and that is all on the record.

Senator FERGUSON. He did not answer your question. One hundred and forty-three wings then?

Senator JOHNSON. That is the minimum force for the maximum danger period, mid-1954. Now, every military man that you have called, and we have called all we could find, will tell you that.

Senator O'MAHONEY. They all agree on that.

Mr. GILPATRIC. I am speaking for the Air Force.

Senator JOHNSON. I am speaking for the ones who testified, including General Bradley. Now, is there any military person or civilian person in your Department that you know of that feels that we could not get the minimum force by the maximum danger period if we decided that that is what we ought to do?

Mr. GILPATRIC. As of the time we should have made the decision, namely, December of 1951, there was no doubt about that. Now I think we have lost 6 months.

Senator JOHNSON. No question but what you have lost some time through no fault of the Congress. You said to the Congress you wanted 95. Then you said you had to have 126, and before Congress got back later, 60 days later, you said, "We are going to stretch that out a year." I am asking you today, the only thing that is keeping you from the minimum force that the military people tell you you ought to have by the danger period they foresee, is a little thing called money.

Mr. GILPATRIC. Correct.

1948 GOAL

Senator JOHNSON. Congress decided in 1948, and I will not clutter the record with all of that, that we would start building toward a 70-group air force. Then we went through the Louis Johnson period, and General Eisenhower appeared before the Appropriations Committee and made his recommendations. I heard the other day on television Senator Russell and Senator Taft, two distinguished men, and they were agreeing on one thing and that was we had to get a minimum Air Force as quickly as we could. Now, what you are doing though, the decision that you made and your military men made that you had to have 143 wings by mid-1954, you made that in October and you abandoned that in December. That is correct, is it not?

Mr. GILPATRIC. If you are using the word "you" collectively, referring to the executive branch, you are right.

CRITICAL DANGER DATE

Senator JOHNSON. Then you come before us, not on the basis of the recommendations of your military men but on the recommendations of a decision made by higher authority for purely fiscal reasons, which in effect says we recognize that the danger period will be mid-1954, we recognize that the minimum requirements are 143 wings, but we are not going to ask you to even give us that, we are going to ask you to give us enough money to give us 143 wings a year after the danger has faced us. Is that correct?

Mr. GILPATRIC. That is the premise on which this budget is based.

Senator JOHNSON. So the Congress is going to have to face up to this question, whether it wants to follow the recommendations of the Joint Chiefs of Staff and General Vandenberg and his subordinates when they say that the maximum danger period is mid-1954, the

minimum requirements that we should have then is 143 wings; we are going to have that choice on the one hand and on the other hand we are going to have Mr. Truman's decision that we will get the minimum force a year later; or the third decision, which is the House decision, we will get the minimum force in 1957, 3 years later. Is that correct?

Mr. GILPATRIC. That is true.

AIR FORCE EXPANSION UNDER 1952 FUNDS

Senator O'MAHONEY. The House and the Senate both agreed last year to provide $666 million to the Air Force for expansion, and that was unbudgeted money. In other words, for the United States Air Force. In the bill which became law on the 19th of October last we provided you, the Air Force, $666 million of unbudgeted funds for the express purpose of expanding air power, and we provided $333 million to the Navy for the same purpose. It was clearly set forth in the debates and in the conference report as well as in the report of this committee that the purpose was to induce the General Staff to plan for air power. When the plans came, when the budget was submitted, we received not what the Joint Chiefs of Staff had recommended for you but a smaller program.

Senator JOHNSON. Mr. Chairman, could I ask two more questions? I do not want to monopolize the meeting, but I want to bring these points out.

CALCULATED RISK OF STRETCH-OUT

You told Congress you wanted 95 groups. You decided in October you had to have 126 combat groups. You decided in December you would stretch that out from 54 to 55. The House decided they would stretch it out in the spring from 56 to 57. When you made that decision to stretch out, you took a calculated risk. You took a gamble. The military men told you you had to have this minimum by this maximum danger period and you turned your head on them and said, "We are not going to take your recommendations, we are going to stretch this out." You did that on a high level purely for fiscal reasons.

Senator O'MAHONEY. When you say "you," you are not looking at these gentlemen.

Senator JOHNSON. That is right. When that decision was made, are you aware of any estimate that was made by anybody on whether or not that stretch-out would cost the taxpayers more or less?

ADDITIONAL COSTS OF STRETCH-OUT

Mr. GILPATRIC. We are sure it will cost more.

Senator JOHNSON. Do you have any estimates of how much more it will cost?

Mr. GILPATRIC. We have furnished your committee with an estimate it will cost at least 3 percent more. I have heard estimates, and you have heard estimates going up to 10 percent.

Senator JOHNSON. What would 3 percent be?

Mr. GILPATRIC. Three percent of $11 billion, right there, is almost a half-billion dollars.

Senator JOHNSON. So the minimum estimate you received is that by failing to appropriate this year some $700 million for Air Force procurement, the taxpayers will ultimately be paying an additional $500 million; is that correct?

Mr. GILPATRIC. It could be as much as that.

Senator JOHNSON. Now, General Spaatz indicated that he had heard figures that the stretch-out cost us approximately $2 billion more. Is that correct?

Mr. GILPATRIC. That is what he testified.

COMBAT AND SUPPORT-WING PROGRAM

Senator FERGUSON. Senator Johnson, could I ask you a question about your figures? In July they said 95. Then in October they said 126. Then you said that in December they extended it 126 a year.

Mr. GILPATRIC. That is what he said, of course.

Senator FERGUSON. But in one place you used 143.

Senator JOHNSON. The 143 program is 126 combat wings. It is the same program, 143 wings is the total, but of the 143 there are 126 combat.

Senator FERGUSON. I wanted to get this record clear. It would come out that we were talking of two different quantities.

Senator O'MAHONEY. In other words, the $20.4 billion, which was the budget estimate, was designed to produce 126 combat wings and 17 of the others.

Senator FERGUSON. What I want to know is, in dollars, how much more money does the Air Corps need to produce the 143 wings by mid-1954?

(Information requested appears on page 737.)

Senator JOHNSON. When the Joint Chiefs of Staff say we ought to have it.

Senator FERGUSON. What do we need today in an appropriation by July 1, when we hope to have this bill out? What do you need by July 1?

Senator JOHNSON. Take what you ask and add $700 million to it. Is that correct?

Senator O'MAHONEY. First the record before the committee shows that we have lost 6 months.

Senator FERGUSON. That is water over the dam.

Senator O'MAHONEY. Dollars cannot make that up.

Mr. GILPATRIC. We cannot recover the time.

Senator FERGUSON. We are on an appropriation bill, and we are going to get it out by July 1, and the money will be available July 1 in the bill. How much money do you need to get 126 combat or 143 total wings, which is the same thing?

General STONE. We would have to study the whole program.

Senator FERGUSON. That is what we have to know.

BUDGET FOR PLANNED WING PROGRAM

Senator JOHNSON. They testified before us on it and, as I understand it, their testimony is, one, notwithstanding the time lost, if we were determined to meet the minimum requirements of the Joint

Chiefs of Staff, we have the production basis and the mobilization potential to do it by mid-1954. Now, two, in order to do that, they have to have money. Three, how much money? They have testified before us that the Air Force needs what they have asked for this year plus $700 million for this year.

Mr. GILPATRIC. And plus the difference of $3½ billion, which is reflected in the 6-month lead time which was in the $21.4-billion budget. Rather, it is in the $20.7-billion budget, and was not in the $21.4-billion budget.

Senator FERGUSON. How much do you need?

Mr. GILPATRIC. $4.2 billion for production of aircraft.

Senator FERGUSON. That is what I am talking about, production.

General STONE. Yes; but there are a lot of things that must go along with it.

Senator FERGUSON. But how much?

Senator JOHNSON. Give us your estimate of what you requested before the stretch-out was decided.

Senator FERGUSON. We have to have it. We are going to go to the floor.

Senator O'MAHONEY. I do not understand this $4 billion because the difference between the budget of $20.7 and $21.4 is only $700 million. That is the difference in dollars. Now, you must add to those dollars an appropriation sufficient to make up for the 6 months' lag in time that was lost. Now, if $21.4 billion at the beginning of fiscal year 1952 would have been sufficient to have produced 143 wings at the critical date, the question for you to answer is: How much money now available for you on July 1, 1953, will enable you to do it at the critical date?

Mr. GILPATRIC. I think we had better give you that figure.

Senator O'MAHONEY. That figure has to be carefully estimated, and it cannot be just a guess.

Senator FERGUSON. We have to take it to the floor.

(See p. 737.)

PRODUCTION SCHEDULE

Senator O'MAHONEY. There are other factors involved in this, because there is no assurance, as we can tell from the record before us, that if the money is provided the production will come along on schedule. You will have the other factors. You will have to be sure that you are going to get the manpower in the factories. You have to be sure you get the materials in the factories. You have those considerations. Also, of course, the basic problem of the design, the models, the changes in models, and how much time that will take.

Senator FERGUSON. We have been struggling with this same problem now for years, this Congress. Last year in the Senate we put $5 billion in the appropriation bill to try to meet this issue and say we are going to get a certain number of airplanes. Then we discovered that the Air Corps said they could not use it all.

Mr. GILPATRIC. No, sir—if we had gotten that money. It was not the Air Corps.

Senator O'MAHONEY. That was in the conference.

Senator FERGUSON. But wait now. They could not put their fingers on it and prove they could use all that money.

Senator O'MAHONEY. They did not have a plan.

Senator FERGUSON. That is what I am saying.

Mr. GILPATRIC. We did when we had the 143-wing force approved by the authorities. If we had that $4 billion then, we really would have met this June 30, 1954, date, because that was the difference.

Senator FERGUSON. Will you give us the figure now and itemize it as to how much it will cost to make the planes, the bases; how much it will cost to get the manpower to operate the planes and the bases for 143 wings, money beginning July 1 of this year, so that you have the money which the appropriation means to produce all of it by July 1, 1954? I would like to know that figure.

PRESIDENT'S BUDGET CEILING

Senator JOHNSON. Could I ask this question: You had a proposed $55 billion budget to the Director of the Budget. He cut it back to $44 billion, I believe; and on appeal you went back to $52 billion.

Mr. GILPATRIC. That is correct.

Senator JOHNSON. The difference between $55 billion and $52 billion is the stretch-out.

Mr. GILPATRIC. That is right.

Senator JOHNSON. So, when you asked the Budget Director to give you $55 billion, and he and Mr. President said they were only going to give you $52 billion and we will stretch it out, they eliminated $3 billion and they promulgated this thing we call the stretch-out. Now, we have had conferences with all the principal aircraft manufacturers in this country, including the jet-engine manufacturers. We have talked to the air people in both Navy and Air Force. We have had the testimony from the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Acting Chief of Staff of the Air Force, and the last witness we heard was the Secretary of Air. Now, do you know of any of those people who take the position it is impossible for us to get to 126 combat groups by mid-1954 if Congress appropriates the money to you and tells you to do it?

Mr. GILPATRIC. I do not think, in view of the time that has passed, we would do the whole job by July 1, 1954.

Senator FERGUSON. Then you cannot do it, no matter how much money you get?

Senator JOHNSON. If that is your testimony, it will be in conflict with the testimony of the other people. You heard Secretary Finletter when he said over the television the only thing that kept him from getting 126 combat groups was a little thing called money.

Mr. GILPATRIC. I do not challenge that, but I think he was going to make an assumption whether the temper of the people is going to support the urgency.

Senator O'MAHONEY. You are talking to this committee now. We will try to take care of the people.

Senator FERGUSON. We will be responsible for what the people think ultimately. They will kick us out if we are wrong, not you.

ADDITIONAL COSTS OF PRODUCTION STRETCH-OUT

Senator JOHNSON. The stretch-out is not going to save us money; it is just going to defer the date. They tell us universally they are

going to cut back on their production instead of going through their original plan; as a result of it, it is going to cost us considerably more. What are we saving? We are saving a total of $3 billion. We are not actually saving it; we are going to have to spend that same $3 billion, and, on top of that, from a minimum of $500,000,000 to a maximum of $2 billion in addition because of that decision. Now, what this committee is going to be faced with and what the Senate is going to be faced with: Do we want to approve the stretch-out promulgated by the President? Do we want to approve the stretch-out promulgated by the House, which is 2 years more? Or do we want to approve the plan of the Joint Chiefs of Staff?

COST OF MOBILIZATION STRETCH-OUT

Senator O'MAHONEY. I will say to these gentlemen here that the committee wants you to submit—I think, Mr. Hoover, you said you could do it by tomorrow—the estimates of the sum that will be required to do this job by the critical date, July 1, 1954, 143 wings, including 126 combat and 17 supporting wings. Now, we want that information. We want your best estimate on it, and then we will take the responsibility of deciding what to do with it. But we want more than that. We also want an examination of all the factors to see where savings can be made. That is why we planned this morning to have you discuss the Bonner report.

Senator FERGUSON. If you [indicating to Mr. Gilpatric] break it down into how much money you have now and what more you will need on these figures—you see, you brought in the people. The people today are being blamed for what happened in demobilization, which to me is not fair any more than it is fair to say that the people will not do this. The people never had anything to do with the fact that you took B–29's, flew them out in Arizona and sold them for less money than the gas and the oil in them. And the people had nothing to do with the fact that over on the fields in Germany and France you put explosives in your fighters and blew them up on the airfields. The people never knew anything about that any more than the people know now that they are trying to stop the building of this Air Force.

Let us have the figures; let us tell the people that they need it or do not need it. That is the trouble. I am speaking very frankly here today because I am greatly disturbed about what has gone on in the Air Force.

Senator O'MAHONEY. There is no question but that the testimony of Secretary Finletter before this committee was plain, explicit, urgent, and I might add, eloquent, I thought, in presenting this matter.

Mr. GILPATRIC. I do not detract one whit from what he told this committee.

WING PROGRAM UNDER 1953 BUDGET

Senator O'MAHONEY. I have the record of the examination when he appeared. When he appeared he was describing the chart. I asked him [reading]:

Wait a minute, please, as I read it, the upper panel of this chart represents the $21.4 billion which the Joint Chiefs of Staff had allocated to the Air Force for the delivery of 126 combat wings by the middle of fiscal 1955.

Secretary FINLETTER. No; they would come into substantially complete being.
Senator O'MAHONEY. Is that not 124?
Secretary FINLETTER. Yes, but it is only a difference of two wings. For practical purposes they would be in full being by the end of fiscal 1954.
Senator O'MAHONEY. With the $21.4 billion you would have 126 wings by the end of fiscal 1954?
Secretary FINLETTER. That is correct.
Senator O'MAHONEY. Under the budget that was submitted to the Congress for $20,700,000,000, you would have only 94 wings by the end of fiscal 1954?
Secretary FINLETTER. 104.
Senator O'MAHONEY. When under that chart do you get the 126?
Secretary FINLETTER. We get the 124 at the end of fiscal 1955.

Senator O'MAHONEY. That is the clear record that has been emphasized again today and makes clear what the committee wants.

Now, can we go ahead with this other matter?

RECOMMENDATIONS OF JOINT CHIEFS OF STAFF

Senator JOHNSON. I want to make one observation so that the Secretary will be clear on what this committee wants. We know that the executive department has determined that, notwithstanding the military advice of the greatest military leaders we have, they are going to get the minimum force a year later than the maximum danger date. We know what their decision is. Now, we may want to accept that decision or we may not want to, and if we do not want to, if we want to follow the commendations of the Joint Chiefs of Staff and obtain 126 combat wings, the minimum required by the maximum danger period, mid-1954, we want to know how much money we have to put in this bill to do that.

Now, I am told that we have to put $700,000,000 for aircraft procurement. I am told that the difference for the fiscal year will be roughly $3,000,000,000.

Mr. GILPATRIC. I think those figures are very close to right.

Senator JOHNSON. When you told the Budget Director in January if he would give you $55,000,000,000 for this fiscal year for the Defense Department that you would obtain your 143 group program, the Navy would obtain theirs and the Army would obtain something else, and the President decided on his own to reduce it from 55 to 52, that is where this stretch-out baby was born, so the stretch-out represents $3,000,000,000 or did when the President made this decision.

Senator FERGUSON. Another question that is going to be involved is: Can you get the raw material to make this?

I know the next problem that is going to be involved is that the other two forces or three forces will be saying "If you provide this much air, you have to provide more money for us, because we have to keep up with the Joneses."

Mr. GILPATRIC. No, because the Joint Chiefs unanimously agree that the Air Force should have 143 wings by June 30, 1954, without any further adjustment in the other forces except those that were then provided.

Senator JOHNSON. In the $3 billion figure there was reduction for Navy and Air, too.

Senator FERGUSON. We want to know what happens there, whether you are going to require more money to keep up with the Jonses.

Senator O'MAHONEY. It is clear that the stretch-out has cost us money already and is going to cost us some more. In the meantime

let us see what the other economies are that we can effect to offset this, if possible.

Senator FERGUSON. That is another question as to what we can cut out.

Senator O'MAHONEY. Let us not continue to argue among ourselves to convince ourselves. I think we are all convinced at this table. So let us proceed to the Bonner report.

PRICE CONTROL REDUCES PROCUREMENT COSTS

Mr. GILPATRIC. Before I leave my first statement, I do want to make some comments on cost and the steps we have taken to bring about savings in our procurement.

During the past 12 months there has been some leveling off in cost. The price-control program has helped the military in keeping inflation from creeping up costs during that period.

Senator FERGUSON. But you do not have price control on jet engines.

Mr. GILPATRIC. No, but on the basic materials that go into that.

Senator FERGUSON. For instance, steel.

Mr. GILPATRIC. On steel and all the materials that go into the end items we buy.

Senator FERGUSON. You do not have price controls on war materials.

Mr. GILPATRIC. On military items, no.

We feel without further program changes and stretch-outs and the like which will add to cost, as Senator Johnson said, that those costs will remain as we now project them. We are not figuring on further increases.

Senator FERGUSON. Should they not be reduced if you produce all this stuff between now and 1954 instead of 1955?

Mr. GILPATRIC. We ought to get down the "learning curve" faster, which means that our unit cost should go down. You certainly get into lower unit cost when you get into higher volume.

Senator FERGUSON. Naturally you do.

Mr. GILPATRIC. You spread over more units, so your unit cost is less.

COSTS OF SPARES AND SPARE PARTS

Now, we have brought about some savings in our spares and spare parts. As this committee well knows, a large part of the dollars which are given us for procurement go into spare engines——

Senator FERGUSON. I think you told me the other day it is half a plane.

Mr. GILPATRIC. Sixty cents of every dollar spent on original equipment goes into spares.

Senator FERGUSON. It is 60 instead of 50?

Mr. GILPATRIC. That is correct.

Senator FERGUSON. In other words, you have one plane, then you have 60 percent of the cost of that plane for parts?

Mr. GILPATRIC. Spare engines, spare parts, and spare equipment, that we feel is an area that we must do something about.

Senator FERGUSON. You mean you have to cut that 60 percent?

Mr. GILPATRIC. We have to cut that. I do not see how, over a long period of time, we can sustain a force like this and have that much of our money going into just spares.

Senator O'MAHONEY. Do you have any problem with respect to spares as to wholesale and resale prices?

Mr. GILPATRIC. No, because we buy all our spares directly from the manufacturer.

Senator O'MAHONEY. You are not at all involved with this other difficulty of paying the local dealer's profit?

Mr. GILPATRIC. That is correct, because our equipment is practically all technical. There is little commercial equipment.

Senator FERGUSON. When he is making a plane part to go into the plane, he is making the spare at the same time?

Mr. GILPATRIC. That is right, on the same production line, with the same tools, and just added onto the end item production.

Senator FERGUSON. Are you sure of your figures of 60 percent?

Mr. GILPATRIC. Yes, I am.

Senator FERGUSON. Has your past history shown that you need those parts, 60 percent?

Mr. GILPATRIC. We are dealing with new types of equipment, new engines and I personally am not satisfied that that 60 percent should hold true for the future. That is what it is today.

Senator FERGUSON. Because your plane is only 3 years. What is your amortization period for bombers, for fighters and transports, and your cargoes and others?

General ODOM. Cargoes are 7 years; heavy bombers are 6; light bombers, 5; fighters, 3.

Mr. GILPATRIC. That is just first line you are talking about. We use them long after, many years after that.

Senator FERGUSON. Yes, but I find this, too, that our difficulty is that we are manufacturing an awful lot of planes, we are using an awful lot of planes that are not used strictly for military. Everybody now is getting a private plane. Everybody is using a private plane from a major up. Are those the old planes that you are using or the new ones?

Mr. GILPATRIC. They are World War II. For efficiency flying, for example, we use B–25's, C–47's—planes that are 10 years old, some of them.

BUDGET FOR SPARE PARTS

Senator FERGUSON. You are using this year $3,290,000,000 for spare parts.

Mr. GILPATRIC. That is correct; of the $11 billion, the figure you mentioned is the amount we will spend on spare engines, spare airframe parts, and other spare equipment. Now, we have already moved in on that, though.

Senator FERGUSON. There is certainly something wrong with the plane, for instance, the fighter in 3 years, if 60 percent of its cost is for spare parts.

Mr. GILPATRIC. It is not all exhausted within the 3 years because the engine, for example, in order to save the cost of starting up a production line, we buy lifetime spare engines. When we buy a B–47, we buy enough spare engines, not for just the first-line combat life of a B–47 but for its over-all life.

SPARE ENGINE PURCHASES

Senator FERGUSON. That is the question. Should you be doing that? Why are you buying spare engines ahead 10 years when you know there is going to be a great improvement in engines? Why do you do that?

Mr. GILPATRIC. We only buy the engines for the period that that particular plane which is designed around that engine could use that engine. We are not buying engines beyond the period that the plane will have a useful purpose.

OBSOLETE AIRCRAFT

Senator FERGUSON. I would like you to get the figures on the parts you have had to destroy and sell and dispose of because they were obsolete. If you are getting 60 percent of these parts made immediately and getting engines for 6 years from now.

(The following information was supplied:)

DEPARTMENT OF THE AIR FORCE

The current status of the inventory of aircraft spares and spare parts in relation to current requirements requires an explanation of events dating back to World War II.

At the cessation of hostilities, the Air Force had on hand approximately 68,000 aircraft with comparable spares and spare parts support in the logistic system throughout the world. In order to determine the portion of this inventory that should be disposed of, it was necessary that the Air Force establish its long-term requirements for spares and spare parts for (*a*) active inventory under the program at that time, and (*b*) inactive aircraft inventory. A major factor in this problem was consideration of cost of storing and maintaining these aircraft and their parts. Based upon these determinations, the monumental task of surplus disposal was then undertaken. It is important to note that the Air Force had no incentive to retain any more spares in the supply system than would be required under plans existent at that time.

As events have unfolded since the end of World War II, there have been two very important factors which have taxed the spares support of these World War II aircraft to a critical point. These are (*a*) outbreak of Korean hostilities, and (*b*) initiation of the foreign-aid (MDA) program. If these events had been foreseen in 1945, many of the aircraft and spare parts which were disposed of would have been retained for we are now buying certain spare parts to support such aircraft as the B–26, B–29, and F–51 in Korea at comparatively high costs.

In summary with respect to the spare parts inventory for World War II aircraft, it can be said that any so-called excesses are very modest and that under current day conditions it is problematical as to how long these will remain in that category.

In order to compete the explanation of the spare parts inventory status, it is also necessary to deal with aircraft and related spare parts which have been procured since World War II. Of prime importance is the fact that, in no instance, has an aircraft model, which has been procured in production quantity since 1945, been declared obsolete to the total active Air Force inventory. During the period 1945–50, funds for new aircraft procurement were limited and the procurement of the initial as well as follow-on maintenance spare parts were reduced to an absolute minimum consistent with other program risks incurred during that period. Therefore the possibility of surplus spare parts for new aircraft was somewhat academic. However, it is acknowledged that there were instances where overprocurements did result from (*a*) subsequent program changes, or (*b*) inability to accurately estimate future consumption. In such cases, the follow-on spare parts procurements were automatically reduced. There have also been cases where modifications of or installation of new type of equipment on aircraft have rendered certain spare parts obsolete. This is rare but will inevitably occur under today's condition of rapid technological advancements.

The value of equipment now in inventory, which it is reasonably apparent will never be used, would of course be dependent upon the aircraft which will soon be phased out of the programs which the Air Force is responsible for supporting—i. e., active, storage, Air National Guard, Air Force Reserve, Mutual Defense Assistance Program, etc. Since the Korean war, few models of aircraft have been or are planned to be phased out of the program for which the Air Force has support responsibility. This of course reduces spares-disposal action to a minimum.

Here again procurements are based on a need. Obviously, these needs fluctuate with each changing program and, as aircraft are "retired" or are relegated to a less important role in the Air Force mission, with resultant lowered utilization, available inventories may rise above the approved levels. For instance, a given amount of inventory may represent a desired 5½ months' stock against one program. If the program takes a downward turn, the very same inventory may represent, for example, 10-months' stock level in view of the relative support which this inventory can provide against a reduced requirement. However, this does not mean that the rise above the levels considered absolutely necessary to operations is any indication of inventory that must be thrown away. This only means that if the program is a continuing one—even if it proceeds at a slower pace than previously planned—there will ultimately be a need for the material. As a consequence, downward adjustments are effected in the buying program with the higher relative position of inventory being used to offset the need for additional procurement. Thus, inventories are not disposed of as they rise above the necessary stock levels but are retained in the system to meet future anticipated requirements during expected program life of the aircraft. This retention, in turn, means more available assets to be applied to the gross requirement, considerably reducing future procurement requirements of the spares involved.

Only if an airplane should be completely and abruptly phased out on an "overnight" basis would serious losses of parts and materials result. For years any "phase outs"—and they have been virtually nil since the beginning of the Korean war—have been on a very gradual basis which provides more opportunity for the Air Force to "attrite" their inventories by actual consumption rather than by mass disposal action. Only a few models (those listed below) represent potential "phase out" during the next year or two and these aircraft have been playing a declining role in the Air Force mission during the past several years. An estimate of the value of inventory which would be subject to disposal action at the time of their retirement from the Air Force program is also included. It is to be noted that some of this inventory will undoubtedly be used to satisfy Mutual Defense Assistance Program requirements which have not yet been finalized.

The values indicated below are expressed in terms of the original acquisition costs of the items and would not be an accurate indication of their true worth today. These inventories represent mostly reparable items that have been used and reused many times during their life; engines and other major components have been stripped of many of their desirable parts and, generally, have been reduced to mere carcasses. In addition, a considerable portion of the sums indicated below would represent inventories which were generated not through actual procurements of spares as such but through reclamation programs wherein aircraft no longer needed were dismantled and any usable components placed in stock. This reduces the needs for additional funds for placing procurements, the cost of which might be prohibitive because of the expenses attendant to retooling, expansion of facilities, and the like.

Aircraft model	Applicable spare engines			Value of spare parts (aircraft and engines)	Total value
	Quantity	Acquisition cost	Value		
SA–10	1,559	$7,435	$11,450,855	$2,600,000	$14,050,855
LC–126	15	3,510	52,650	10,000	62,650
L–4	487	625	304,375	100,000	404,375
F–47	2,527	18,668	47,174,686	14,700,000	61,874,686
F–82	400	23,420	9,368,000	21,700,000	31,068,000
T–11	2,560	7,260	18,585,600	400,000	18,985,600

Mr. GILPATRIC. We know that that is the more economical course.

Senator FERGUSON. I know; but you came in with the obsolete planes here in red figures the other day that you are abandoning immediately if you can get new ones. Does that mean that all these spare parts are going with them?

Mr. GILPATRIC. We are not going to abandon those planes; we will downgrade them to the Air National Guard, the Air Reserve, and for transport and training.

Senator FERGUSON. I know what you did with planes. I was on the Truman investigating committee and you flew new B–29's and sold them, destroyed them for less than the oil and gas remaining in them. You blew planes up all over Europe; you blew them up and destroyed them.

PROCUREMENT SAVINGS ON SPARE PARTS

Senator O'MAHONEY. I observe from the justification that the estimate for 1953 was below the 1952 estimate by $720,279,000, a reduction of 17.9 percent. That would indicate that you have found some way to economize on these spare parts.

Mr. GILPATRIC. We have. We have reduced the pipeline factors, for example, on spare engines because, of this 60 percent we are talking about; 75 percent represents just air-frame spares, spare engines, and engine parts. The engines are the most costly of all. What we have done is we have cut down the pipeline factor; that is, how many engines we have to have backing up our base maintenance requirements, to the extent that now we have been able to reduce our requirements a million and a half dollars in fiscal 1951 and 1952. Part of it is in the figure you mentioned.

Senator O'MAHONEY. What is the schedule of spare engines?

Mr. GILPATRIC. The pipeline factor in the zone of the interior is now 3 months and the overseas is 5 months. I will check those. We reduced it a month and half.

SPARE ENGINES PER PLANE

Senator O'MAHONEY. How many engines per plane?

Mr. GILPATRIC. It varies with the plane and with the type of the engines.

Senator O'MAHONEY. From what to what?

Mr. GILPATRIC. In the case of B–47's we buy two spare engines for the life of that plane per original installation.

Senator O'MAHONEY. Do you buy any engines for a longer period than the life of the plane?

Mr. GILPATRIC. No.

Senator O'MAHONEY. That was the implication of Senator Ferguson's question.

Senator FERGUSON. You said you bought them not only for the military life of the plane, what is known as the prospective combat period.

Mr. GILPATRIC. The periods that General Odom gave you are just first-line life of the plane. That does not mean its over-all life. It just becomes second line after 3 years in the case of a fighter.

Senator FERGUSON. Now, we will take a fighter. You buy a fighter and you pay $250,000, then you buy 60 percent of that amount in parts. That is for the first 3-year period.

Mr. GILPATRIC. No; it is for longer than that.

Senator FERGUSON. Why do you buy them for longer than that? Why do you not get more planes?

Mr. GILPATRIC. Because we do not want the planes if we cannot keep them flying after we get them.

INITIAL AND MAINTENANCE SPARES

Senator FERGUSON. You also buy these spare parts under maintenance and operation.

Mr. GILPATRIC. We have two kinds of spares, initial spares——

Senator FERGUSON. Sure; you have 60 percent in the initial and then your new obligation $4,389,817,000 under the Air Corps for maintenance and operation. Now how much of that is military

Mr. GILPATRIC. Sixty percent includes both follow-on spares and initial spares. That over-all figure includes all spares.

Senator FERGUSON. Those in maintenance and those in the other figures?

Mr. GILPATRIC. Yes.

Senator FERGUSON. How much is for maintenance? How much do you put under that figure?

Mr. HOOVER. It is about $860 million.

COMPARATIVE COSTS OF SPARES AND AIRCRAFT PROCUREMENT

Senator FERGUSON. This year you are asking for new planes, $5 billion. For spares you are asking $3,290 million.

General STONE. In the 400 series?

Mr. GILPATRIC. No; he is just giving the 100 series.

Senator FERGUSON. $5 billion for new planes, spares, $3,290,000,000. That is more than 60 percent. Then we have plus that the maintenance and operation. How much of this maintenance and operation is for spare parts?

General STONE. None for these particular planes.

Mr. GILPATRIC. Only for aircraft that are already on our inventory.

Senator FERGUSON. How much of it is for that? Will you get those figures for spare parts?

General ODOM. May I endeavor to explain at this point? These spares that are bought with this initial aircraft under this aircraft account are spares for the new aircraft being bought here. The spares under the maintenance and operations are spares that are being consumed by aircraft that are in the inventory now or will be in the inventory during the course of the balance of this year.

Senator FERGUSON. Yes; but you get a plane today, tomorrow it is in inventory, and then it gets part of these spare parts you are buying for inventory. You have the new plane today; tomorrow it gets out of the new pool.

General ODOM. The parts that are bought with the aircraft initially are deducted from the requirement during the course of the year. There is no duplicate buying.

Senator FERGUSON. These figures are 60 percent. In fact they are greater than 60 percent. Sixty percent of $5 billion is $3 billion.

General ODOM. Yes; but those spares have a very long lead time because they are along with the aircraft. It is a new aircraft. If we do not have those spares being produced along with the aircraft, when the aircraft comes out we will not be able to fly it. It is concurrent delivery of the spares that are bought here.

Senator FERGUSON. Which is better than 60 percent, because you have $5 billion for new, $3,290,000,000 for spares.

TYPES OF SPARES

Senator O'MAHONEY. There are apparently two different kinds of spares according to this justification. You have component spares and spare parts. What is the difference?

General ODOM. There are maintenance spares and initial spares. The ones that Senator Ferguson is talking about are initial spares which are delivered concurrently.

Senator FERGUSON. You have more than 60 percent. $3,290,000,000 is more than 60 percent.

Mr. HOOVER. I just checked a couple of figures with respect to 1952.

Senator FERGUSON. I want to know what you are asking for today.

1952 FUNDS

Mr. HOOVER. It is approximately the same ratio. In the appropriation "Aircraft and related procurement" in 1952 we had a program for procurement of aircraft of about $5.4 billion. For initial spares in the same area it was $2.8 billion. For spares in the maintenance and operation appropriation it is $700 million. If you add $700 million and $2.8 billion you get $3.5 billion for spares total in 1952.

Senator FERGUSON. What percentage is that?

Mr. HOOVER. That would be about 65 or 64 percent of the total.

Senator FERGUSON. But this year it is even greater.

Mr. GILPATRIC. There is no question, Senator, you put your finger on a point where I think we have a great deal to do to be sure that we are right. This is not a new problem, but it is a problem on which we must constantly bear down.

Senator FERGUSON. It is a problem that you are not getting planes. We are appropriating money and we are looking forward to getting parts for that plane anywhere from a day to 5 to 10 years ahead.

General STONE. No, sir; that is not true. If you buy these planes and you do not buy the parts, then you do not fly the airplanes, so you wasted your money in buying the planes in the first place.

Senator FERGUSON. You fellows come in here and tell us how obsolete in a few years these planes are. There are some of them we do not want to be flying in 3 to 5 years.

PROCEDURE ON SPARE ENGINE REQUIREMENTS

General STONE. In the meantime you have to get spare engines if you are going to fly them for 6 months. I think I can illustrate for the Senator and take away some of the doubt in his mind if I explain the procedure we go through to figure our spare engine requirement.

In the first place we have a program of flying hours. We know how many flying hours these airplanes are going to fly for a given period for which we are buying these spare engines, which in the case of a heavy bomber is 7 years. We program these airplanes to their location because that makes a big difference as to where they are located—if you locate airplanes in Japan and you must buy more spare engines for airplanes in Japan than here in the United States because it takes longer to get airplanes over to Japan. They are in pipeline.

The thing the Secretary mentioned we were working on is to reduce the pipeline so that you have the flying hours and location of the particular airplanes for the figuring of the engines themselves that are required. We know from forecast based on the operation of the flying time. We look at the thing because we know they are going to improve as they move in experience in the years ahead. We take a figure that is good for the years ahead, an average figure for the operating time of each engine. We know how long it takes to overhaul an engine. We come up with X-quantity of engines to procure for the maintenance of that airplane. That is for the life of that particular type of airplane. It may be 7 years first line and maybe in the case of the B–25—I have been flying those things since 1935.

EXCESSIVE PROCUREMENT OF SPARES

Senator O'MAHONEY. What standards do you adopt to guard against excessive purchase of spares, including engines and the like?

General STONE. We review those spares computations very carefully. They are a scientific thing. They have been worked on for many years.

Senator O'MAHONEY. In the first justification with respect to initial aircraft, component spares and spare parts, the figure that Senator Ferguson and I were talking about, $3,290,000,000, which is $720,379,000 below the estimate for 1952, that includes spares that come with the craft at the time of delivery?

General STONE. Yes, sir.

Senator O'MAHONEY. You must have this method of computation——

General STONE. Yes, we do, sir.

Senator O'MAHONEY. To guard against buying too many of those, because some of these planes are lost in combat, some in attrition, some in accidents, and that factor must be taken into account.

METHOD OF BUDGET COMPUTATION

Now, what assurance can you give the committee that this $3,290,000,000 estimate is not excessive?

General STONE. The only assurance I can give the committee is to ask the committee to rely on us on our method of computation. When we go out and buy new airplanes, other than the engine situation which I described, you pick out the pieces that will fail in the operation of that particular aircraft. That is done scientifically. It is done by representatives of the manufacturer and representatives of the Air Force, people from our Matériel Command, Supply and Maintenance, and the using agency that will eventually be equipped for this airplane. They sit down and they go through a very laborious process of figuring

out the possible usage and wastage of these particular parts, because of usage in flight and elsewhere. It involves months of time. Eventually they sit down with a bill of materials for the parts we will need for the first year's life, other than engines, the first year's life of the particular aircraft in question. That is arrived at, and there is made a long list of items, specifying the quantity and the cost and that is the reason we buy.

Senator O'MAHONEY. The reason I ask that is that the House showed that there were approximately 3,000 spare engines for B–29's which the Air Force could not use. That was excess inventory for the B–29. Is that a peculiar case?

General STONE. I do not know if it was 3,000.

REASON FOR EXCESSIVE INVENTORY OF B–29 ENGINES

Senator O'MAHONEY. It was the testimony of General Hammel in response to a question by Congressman Mahon:

> Our inventory of the 3,350 engines used in the B–29 was retained on a level to insure support of those aircraft in storage. When we revised our pipeline factors on engines, we applied those same factors to the engines we were holding in reserve. We discovered that there are approximately 3,000 engines that will not be utilized in support of those B–29's in storage and may be disposed of.

General STONE. That is undoubtedly correct.

Senator O'MAHONEY. So my question is, What safeguards do you raise or have you raised to prevent the recurrence of what is apparently an excessive inventory?

General STONE. If we had all the B–29's that were originally built for which those engines were procured, we probably would not have that excess. As the chairman knows, many of the B–29's that we bought in the past have been destroyed or lost for one reason or another.

Mr. GILPATRIC. Is it a not a fact that this question of stock levels of spares is being constantly checked against experience? You have these spare teams which go into the beginning when these planes are manufactured, come up with the best computation they can, based on the judgment of the manufacturer and the Air Force.

Senator JOHNSON. So far as the B–29, that standard has been a failure.

Mr. GILPATRIC. That standard was too great.

Senator O'MAHONEY. That is what I am trying to find out, whether you have adopted new techniques which will prevent recurrence of the overpurchase of spares.

General STONE. I would not agree it has been too great at the moment. If we had still been in war like we were in World War II with B–29's to fly to India and elsewhere and all over the world——

Senator FERGUSON. You knew the war was not going to last that long. You cannot anticipate that the war is going to be on forever.

General STONE. During the last war we did not know when it was going to be over.

Senator FERGUSON. You have to have some idea. You have to have judgment.

General STONE. I wish we knew when the next war was going to be over.

Mr. GILPATRIC. The fact that the 3,000 engines were surplused is because we had a reduction across the board on pipeline factors.

Senator FERGUSON. When did you make the last B–29 engine?

General STONE. Probably in——

Senator FERGUSON. Not probably.

General STONE. We can get that figure.

(The information referred to follows:)

The last B–29 engine was manufactured and delivered during November 1945.

Senator JOHNSON. May I ask one question not related to this? Would you give us the comparative inventory figure as of Korea and as of now in your total aircraft? I realize that you have improved the quality of your aircraft. I have before me the number of jet planes.

Mr. GILPATRIC. It is actually 900 aircraft less.

Senator JOHNSON. I want to get the total number of aircraft that you had as of Korea and the total number that you have on hand now.

Mr. GILPATRIC. It is actually less today.

Senator FERGUSON. That is what I understood; they are losing.

Mr. GILPATRIC. But a number of those have not actually been lost, they have been shipped to NATO countries. We have supplied a lot of our old aircraft to them.

Senator FERGUSON. I would like to get the figures on what you gave to NATO countries. We are scattering airplanes to please people, please nations, to puff them up so that they will become great military powers. I can name some of them on the record.

(Classified information was submitted to the committee.)

(Discussion off the record.)

REDUCTION OF PROCUREMENT PERSONNEL

Mr. GILPATRIC. I want to refer briefly before closing this part of my presentation to three other areas in this field where we have brought about savings in economies. We are handling our procurement workload at Air Matériel Command which is now obligating at the rate of, during this current fiscal year, some $16 billion of procurement, which is a good deal higher than the peak rate of World War II, in 1944, with actually less personnel. We have been able to reduce both the civilian and military personnel who are handling procurement work below what was required to handle a lesser workload at the peak of World War II.

Senator FERGUSON. What did you do with them when you got rid of them?

Mr. GILPATRIC. We never hired them back after we let them go in 1946. In other words, they were not let off our payroll except after the——

Senator FERGUSON. How much less is it? Recently I learned that you had to have 90 signatures to any Air Force contract.

Mr. GILPATRIC. No. What we did was this: When the first Under Secretary of the Air Force, Mr. Barrows, who was formerly president of Sears, Roebuck, was with the Air Force he spent a great deal of time out at the Air Matériel Command introducing commercial-type

buying, which has enabled us to do a more efficient job of utilizing civilian personnel than under the old method of contracting officers and buyers.

Senator FERGUSON. What is this year compared to last?

Mr. GILPATRIC. There are 34,000 people in the Air Matériel Command at Dayton at the present time. That has only gone up 2,000, whereas our workload went up in actual, comparing now dollar procurement, from $6.5 billion to $11 billion.

Senator FERGUSON. Give us men instead of dollars.

Mr. GILPATRIC. 34,000 instead of 32,000 in individuals.

Senator FERGUSON. You have 34,000 now?

Mr. GILPATRIC. Yes.

Senator FERGUSON. What was it last year?

Mr. GILPATRIC. About 32,000. Yet our workload has gone up by over a third in the past year. In our inspection, our quality controls, which takes a good part of that workload, we only have 3,600 individuals on inspection for 24,000 contracts, whereas under the old inspection method we woud have had 10,000 individuals doing quality control work. We do it on a selective test basis now rather.

Senator FERGUSON. I have made some investigations during the last war on this inspection set-up and it is not a good thing to try to do it on the basis that you are doing it now. I do not think you save any money by getting rid of good inspectors. Now you have a lot of so-called fake inspection, men who do not do anything in the plant. The Curtiss-Wright plant at Lockland was an example of poor inspection.

Mr. GILPATRIC. That is true, but I think we profited from that lesson, Senator, because we have better inspection today.

Senator FERGUSON. I hope you do.

BONNER REPORT ON AIR FORCE SUPPLY SYSTEM

Mr. GILPATRIC. Now, in our supply system, our depot system, we have gone onto a two-zone system of supply depots. Instead of having something of every single item in every single one of our depots throughout the country, we only duplicate items in two areas, to save cross hauling. In other words, we will have in the eastern part of the United States a certain depot which will specialize in carrying certain types of items, say photographic equipment or navigational equipment. The only other depot where that same type equipment will be carried will be on our west coast or western depots. So we have been able by carrying the same type of items in only two instead of all of our depots to reduce our stock levels about two and a half months, which is a very major amount of dollars.

That brings me to the report of the Bonner committee that I think you questioned me about last time. I ask leave of the chairman to file a complete statement which I am not going to read, a 17-page statement, on the whole question of administration and supply discipline in the Air Force, with particular reference to the points that were raised by the Bonner committee.

(The statement referred to follows:)

STATEMENT BY UNDERSECRETARY OF THE AIR FORCE GILPATRIC RELATING TO SECTION 640 OF H. R. 7391

For the members of this committee to understand the effect of section 640 of H. R. 7391, it will be necessary for me to talk somewhat in detail about the Air Force supply and distribution system. Section 640 is, I regret to say, symptomatic of the broad confusion and misunderstanding concerning what the Air Force is doing and intends to do in the field of supply and distribution. Much of what I have to say will be directed toward statements appearing in the Sixth and Sixteenth Intermediate Reports of the House Committee on Expenditures in the Executive Departments, the so-called Bonner committee, which sponsored in the House section 640 and related cuts in appropriations recommended by the House Appropriations Committee.

This subject of supply, storage, and distribution is admittedly technical and complicated. Much of the difficulty results from lack of detailed working knowledge of or a failure to understand the problem. We have been trying for the better part of a year to clear up some of the confusion and misunderstanding. I regret that our efforts have not been notably successful to date.

THE BONNER COMMITTEE'S ERRONEOUS PREMISE

The Bonner committee has concluded, and various actions in the House in connection with H. R. 7391, including certain proposed appropriation cuts and section 640, are predicated upon the belief that the Air Force, contrary to the spirit, if not the letter, of the National Security Act of 1947, as amended, and in disregard of policies and directives of the Secretary of Defense, is deliberately setting about to create a "third independent pipeline of supplies," at great cost to the Government and without regard to the availability and suitability of the facilities and organizations of the other services, principally the Army.

In the sixth intermediate report, the Bonner committee stated as follows:

"The subcommittee understands that considerable thought is being given to the creation of a completely separate supply system for the Air Force. This system is proposed on the premise, discussed earlier, of 'responsiveness to command.'

"The subcommittee sees no merit in creating an additional supply system for the Air Force, since it is receiving satisfactory supply support with respect to common-use items from the Department of the Army. The establishment of such a supply system would be a step toward triplication, and not toward the goals sought from unification. The duplication of facilities and staff and the resulting lack of uniformity would place a needless burden on the budget of the United States.

"No third and independent supply system for common-use items can be justified. The introduction of a new competitive element is unwarranted and is contrary to the spirit of the National Security Act of 1947, as amended. All expenditures of funds and utilization of personnel directed toward planning, developing, or implementing such an independent supply system for the Department of the Air Force should be terminated immediately, and a report to that effect will be requested from the Secretary of Defense."

The Bonner committee's understanding "that considerable thought is being given to the creation of a completely separate supply system for the Air Force" is not based on any official Air Force position of which I am aware. Certainly this understanding could not have been based upon anything I said in the course of my testimony before that committee last summer.

Ever since last summer when the Bonner committee held its initial Washington hearings, we have stood ready to clarify the Air Force position on this subject for the committee. But those in the Air Force who best know the facts, particularly the headquarters of the Air Force supply system at Wright Field, were not called or visited. Instead, the committee's information relative to the Air Force came from secondary sources. In its round-the-world trip of last fall the Bonner committee heard considerable fragmentary testimony from various supply officers—some Air Force, some Army—none of whom was in possession of all the facts. Some really authoritative statements did come from General Eisenhower, whose advice to the committee was, however, to "make haste slowly" in its endeavors "to improve the military supply administration." It was General Eisenhower's judgment that it would take 3 to 4 years to under-

stand fully the problems involved and to reach conclusions as to what might be needed in the way of organization changes or other modifications of the present supply systems. Then, and not until then, should the Congress, in his opinion, call for a report and recommendations with a view to possible legislation.

As recently as March 22, 1952, in a letter I addressed to Mr. Bonner, I stated as follows:

"On a number of occasions during the course of your hearings you have mentioned that the Air Force was establishing a new supply system for common items. I touched on that subject briefly in my testimony before your committee on July 20, 1951, but apparently I did not completely clarify the situation in your mind. The Air Force has no intention of establishing a new supply system. We believe the one we have is completely adequate for the job. It currently is handling more than 80 percent of all supplies used by the Air Force, in dollar volume. It has been in operation for 35 years, and has reached a stature comparable with any supply system. The integration of the remaining 20 percent of supplies into our distribution and maintenance system will not change that system. Rather, it will permit a more effective use of that system."

In addition, I repeated a previous invitation to the members of the Bonner committee to visit our Air Matériel Command headquarters at Dayton, Ohio.

As I have said before and as General Eisenhower has so clearly warned, this question of supply and distribution is indeed a very technical and complicated business. In the Air Force, the heart of our whole supply system is the Air Matériel Command. Unless its organization and operations are clearly understood, there can be no real understanding of how our supply and distribution system operates. Now this is in no sense intended to be a criticism of the members of the Bonner committee, who are seeking to do a conscientious and thorough job. In its sixth intermediate report, the Bonner committee stated that "this field is so broad and so complex in its ramifications that the average citizen finds it difficult to understand the processes by which his tax dollars are spent for strengthening his country's defense." The report then went on to state:

"The subcommittee has touched upon important aspects of military supply management, recognizing that each subject, by itself, is worthy of extended study and that other important aspects were necessarily omitted at this time. The subcommittee intends to continue its studies and investigations in military supply management and related activities and to report its further observations to the Congress."

That statement shows an awareness on the part of the members of the committee of the absolute necessity for thorough study and review. It is therefore difficult to see why the Bonner committee failed to study the heart of the Air Force system—the Air Matériel Command, without which there can be no full understanding of the system. We frankly welcome investigations of the sort that the Bonner committee has made. And we understand the desire of the members to get out into the field and see what is going on at the operational levels, but it cannot be overlooked that policy decisions are made here in Washington by those—like myself—who are charged by law with that responsibility. The way to find out what are the plans and intentions of the Air Force is to consult the responsible officials of the Department of the Air Force. The frequently unconsidered or casual remarks, complaints, criticisms, and indications of plans by operating personnel in the field should not be taken to be authoritative. It is a healthy sign and only natural to find that personnel in the field are never quite satisfied with what they have and the way any system is working.

It is the belief of the Bonner committee, and presumably of those in the House who voted for the cuts in question and for section 640, that great sums of money are being wasted in costly and unnecessary duplication and overlapping, for which there are some comparatively simple solutions. One such solution advanced is that of putting the Air Force in an expenditure strait-jacket as provided in section 640.

It would be a relief if very technical and complicated problems of this sort could be solved by simple means.

THE PRESENT SUPPLY SYSTEM OF THE AIR FORCE

Before discussing the effects of section 640, I would like to make certain statements concerning the Air Force supply system and what our thoughts and intentions are concerning it. As Under Secretary of the Air Force I am charged with responsibility in this field.

First, the Air Force is completely and unalterably opposed to duplication and overlapping of personnel and facilities. It has taken no action and will take no action based upon a "me too" philosophy looking toward triplication, unless there is a compelling reason—military necessity or greater economy—for doing so. It is doing and will continue to do only what is necessary to insure the combat readiness and effectiveness of its forces, and it is doing and will continue to do this with attentive care to costs.

Second, what sould the objective be? We are spending many, many billions of dollars to build a combat Air Force which will be adequate for the tasks it has or may be called upon to perform. Its striking and sustaining power will depend directly upon the effectiveness and adequacy of its supply and distribution system. We can have the best airplanes and the best trained crews at the right place at the right time and still be completely ineffective, or at least second best, if we do not likewise have the right supplies at the right places at the right time. The characterization of this as a justification founded in "responsiveness to command" does not begin to touch its true significance and implications. The risky consequences of false economy is the field of supply and support cannot be overemphasized.

Third, there is no basis in fact for all this talk about the Air Force creating a "new" supply system. It has had its own independent pipeline of supplies for many years—for about 35 years to be exact. Some 400,000 technical items which are carried in the Air Force supply system are unique to the Air Force; 80 percent of all supplies used by the Air Force, in dollar value, are handled by the Air Force supply system. It is inaccurate and misleading to talk about the Air Force establishing a "new" supply system. Rather than create a new system, what we are trying to do is improve and obtain the maximum efficiency and utilization of our present system. In order to do this certain minor modifications and adjustments of procedures may be required. Some of these changes grow out of our belief that there are certain common use items, now handled by the Army, which should be our concern from the time these items enter the military distribution system.

As procedures are now established, it is necessary for the Air Force to determine its requirements for common items to be procured by the Army technical services and to budget for and justify the need for the items. Funds having been made available, the procurement of the items is accomplished by the Army technical service having procurement responsibility for that class of items. The completed items are then shipped by the manufacturer to an Army technical service supply depot for storage and subsequent distribution to Air Force stations where it is necessary to maintain stocks of these items to have them available to the using activities as needed. The only change desired in the existing procedure is to cause certain of these items, upon completion of fabrication, to be shipped to an Air Force depot rather than to an Army technical service depot. This does not constitute an additional supply system for the Air Force. It merely revises slightly one part of the eixsting supply procedure.

Fourth, the Air Force does not now have and has at no time had any intention of establishing its own quartermaster corps or other technical services. The best refutation of the charge that we are creating a duplicating supply organization is that with a 50 percent increase in forces we are asking for an over-all increase in personnel of only 17 percent. With these significant figures in mind it is difficult to see how it can be said that we are setting up an elaborate supply and distribution organization which will require additional personnel, involve great expense and duplicate existing organization in the Army. If we are doing this, I don't know where it is the personnel are being budgeted for.

Fifth, right now, today, in certain parts of the world we render complete supply support for both ourselves and the Army. For example, in England, the Philippines and the Middle East, our activities and operations are so much larger than those of the other services that it makes sense for the Air Force to perform the distribution and supply functions. In other areas of the world, such as Greenland and North Africa, where the Air Force is the only service, the Air Force is compelled to accept full responsibility for its own distribution and supply. In Panama and Hawaii, in contrast, the Air Force has no depot or facilities but relies entirely on the Army or the Navy.

It seems to me that there is an inadequate appreciation of the problems involved in cross-servicing, and the point I want to make again is there is no simple, universal solution for these problems. Conditions vary too widely from area to area. There simply has got to be flexibility to make the arrangement

which is best under the particular local conditions, which themselves change from time to time. This is recognized in the Sixteenth Intermediate Report of the Bonner Committee, where the following statement appears:

"The subcommittee observes at this point that uniformity in supply items and procedures would greatly facilitate the vesting of complete supply responsibility in the predominant service for any given theater." This is consistent with the idea that arrangements may and should vary from place to place.

Sixth, the number of Air Force depots, warehouses and supply, storage and distribution centers and facilities is, of course, increasing. This is inevitable as we deploy our forces in new areas and as we expand our forces in old areas. Some increase is inevitable as a simple result of the expansion of our forces. A good bit of the confusion and misunderstanding may be the result of mistakenly looking upon this necessary expansion as duplication.

Seventh, all of this criticism about duplication of facilities seems to ignore the fact that each warehouse, depot, and other supply facility has to be justified before the Senate and House Armed Services Committees at the time the enabling legislation is obtained and has to be justified before the Appropriations Committees of the two Houses when the authorization is funded. It has not been our experience that the examination and review of these committees are perfunctory. They go into this question of need very thoroughly indeed.

Eighth, this criticism we are talking about also seems to assume that the Army has depots, warehouses, and other facilities which are being only partially used and that the Army has personnel assigned to the function of supply and distribution whose time is not fully occupied. No facts have been brought to my attention to support this assumption. If it were true, there would be an obvious corrective.

THE CASE AGAINST SECTION 640

I am strongly convinced that there is an orderly, systematic, and effective way of improving this situation—the tried and tested way of careful study and analysis of each individual matter. I am a firm believer in the wisdom of General Eisenhower's admonition to "make haste slowly" in this field. And I agree with the Bonner committee that this "field is (so) broad and (so) complex in its ramifications" as to be "worthy of extended study." Mine is a plea against precipitate, ill-considered action such as is represented by section 640.

The paradoxical aspect of this whole matter is that the "cure" prescribed by section 640, although not spelled out in so many words, would involve the creation of a new service of supply or the further expansion of one of the existing services. I think that all three services are already at or beyond the point of diminishing returns. There comes a point in size when further growth is at the expense of efficiency, effective controls, and good management. The trend in American business is in the direction of more not less decentralization, of smaller not larger units of operation. All three of the military services are in the process of expanding their forces, their equipment, and supporting installations. In my experience and observation considerations of rivalry, prestige, and coequal status among the services do not enter into the day-to-day practical decisions affecting supply and distribution. The only standard which I have seen applied is the standard I believe should be applied, namely, how can the distribution and supply requirements in a particular place be most effectively and economically met? This is not a question which can be answered in the abstract. Rather it is one which depends for its answer upon an analysis of all the various factors which are involved—the size and character of the forces in the particular area, the nature and extent of their operational activities, the likelihood that the area may be a theater of action, the extent and character of the forces of the other services in the area, the facilities which are available in the area, and so on.

At the risk of repetition, if you consider the entire supply cycle from determination of requirements through justification, funding, procurement, storage, and final issue, you will find that the only area which is really being questioned in this field of common-use items relates to what I shall term intermediate storage. There is no question but that the using service has the responsibility for determining its own requirements and of justifying them to the Congress and obtaining the necessary funds for their procurement. Under existing procurement assignments, which are made by the Munitions Board, there is likewise no question concerning the service which has responsibility for procurement. That has all been worked out with care and is functioning satisfactorily. Finally, there is no question after these common-use items are issued to the ultimate using activities concerning who has responsibility for their storage and use. It is

obvious that at an Air Force base—which constitutes the ultimate using activity—storage and use are the responsibility of the Air Force.

The only question, as stated, relates to what happens to the particular item between the time it leaves the manufacturer or vendor and the time it arrives at the ultimate using activtiy. The suggestion is that somehow if only one service has the responsibility for this intermediate storage and distribution, great economies will be effected. The reasons why this is not so as a universal proposition have been quite clearly pointed out. Depots and warehouses cost the same whether they are built for the Army or the Air Force. Items in storage take the same amount of space in an Army as in an Air Force warehouse or depot. Personnel can only handle so much tonnage whether they are Army or Air Force.

The Air Force is convinced that the administrative burden on the Air Force which results from having to requisition common items procured by several technical services from various Army supply depots established to store and issue items procured by each of the Army Technical Services can be decreased and substantial savings can be effected under a procedure which permits an Air Force station commander to requisition all neded items for operation of a station through the existing Air Force supply system.

Secretary Finletter has already pointed out the harmful effects upon the Air Force of the proposed appropriations cuts which members of the Bonner committee sponsored on the House floor over the objections of the Appropriations Subcommittee Chairman Mr. Mahon. I will be glad to discuss further any of these cuts as they bear in detail on this question of supply.

THE HARMFUL EFFECTS OF SECTION 640

I would like now to take up the question of section 640 in detail. This section I believe—and I say I believe advisedly because the language used is not free of ambiguities—prohibits the Air Force from expanding personnel, facilities and activities to establish and maintain a separate system for providing supply and services which were furnished to the Air Force by the Army prior to August 1, 1951.

Such a provision would compel the reinstatement of numerous duplications which have been eliminated since the National Security Act of 1947. What is more, the provision is in large measure unworkable.

As I have pointed out, in many places throughout the world, the Air Force is the predominant service. In these areas, it is economical and logical for the Air Force to handle common supplies and services for all military services, including Army and sometimes Navy personnel. Indeed, as I have pointed out, the Bonner committee in its sixteenth intermediate report accepts this as a most desirable objective.

Section 640 provides that the Air Force depots and service facilities in these locations could not expand to meet the demands of new units arriving in those areas. The Army would be required to place unnecessary service troops and depots to maintain augmentation units of either department in the Northeast, England, Bermuda, the Azores, North Africa, Spain, the Mediterranean area, Dhahran, the Philippines, and Guam. A tremendous and unwarranted increase in cost to the Government would result.

Section 640 requires that no expansion will be made in the services now performed by the Air Force for itself if those services were formerly provided by the Army. This would require the Army to establish commissaries, laundries, dry-cleaning plants, shoe-repair shops, mortuary services, sales stores, refrigerator plants, finance service, provost-marshal service, communications service, chaplain service, medical service, judge-advocate service, transportation services, repairs, and utilities functions with regard to real estate, and other housekeeping services, on any new base to be opened by the Air Force. The same requirement would exist for increased services needed on any base which is being expanded. Duplicating Army services would be required in a number of new Air Force bases in the United States, in England, in France, in the Moroccan area, and elsewhere. The net result will be heavy additional costs to the Government, and decreased efficiency.

Since the Unification Act, the Air Force has made numerous moves to eliminate supply duplication. As an example, the Air Force formerly forwarded purchase requests for hand tools to the Army Technical Services who, in turn, forwarded them to the Navy. The Navy, in turn, purchased the tools and delivered them to the Army for issue to the Air Force. The obvious pyramiding

of work in this system has been eliminated by removing the Army from the chain of events. Reinstatement of this type of procedure would be a backward step.

In certain instances it was found that the same items were stored on Air Force bases in a Quartermaster bin, an Ordnance bin, a Signal bin, a Chemical bin, a Transportation bin, and an Engineer bin, as well as in an Air Force bin. Crescent wrenches, hammers, axes, and buckets are examples of the type of item involved. Some degree of such duplication was found in 70,000 items. Corrective action has been taken by consolidating these items into a single bin in the Air Force supply chain. On a world-wide basis, this action effected a very appreciable savings in stocks procured and in space. Furtherance of this procedure would be prohibited by section 640.

It thus appears that section 640 will cause much administrative confusion in trying to interpret the extent of its applicability to any local situation. This confusion will not enhance the effectiveness of either the Air Force or the Army, nor will it effect a saving of any kind. On the contrary, it will add much to the cost of the Military Establishment. Furthermore, the sudden unanticipated and unprogramed logistic load which section 640 places on the Army may create a void in logistics services available to the Air Force at a most dangerous time. The consequences could well be serious for both services.

As I said before, section 640 was not recommended by the House Appropriations Committee, and its adoption was opposed by Mr. Mahon on the House floor.

The Air Force is not, to repeat, seeking to create a new supply system. The only change in the present state of affairs which is now contemplated is the transfer by the Army to the Air Force of the receipt, storage, and issue—that is distribution, not procurement—of certain common-use items which can be more efficiently and economically handled within the Air Force's existing supply system. However, no transfers of this sort not already accomplished are to be financed in our fiscal year 1953 budget. Even had a complete transfer been budgeted, it would have required less than half the $175 million cut, by the Bonner committee amendments, based on the figures included in the Army fiscal year 1953 budget for these very purposes. Hence Mr. Mahon was clearly right in his characterization of the cuts, viz:

"But the gentleman (Mr. Meader) presently is seeking to do it in an unsound, unsupported, ineffective way. In other words, he is cutting funds when we lack adequate aircraft and when we are outnumbered; he is cutting those funds when the very destiny of the country may depend upon the maintenance of our air arm."

SUGGESTED SUBSTITUTE FOR SECTION 640

(See also p. 635)

The position of the Air Force is that no supply or distribution facilities have been established by it which unnecessarily or uneconomically duplicates any existing facilities. It will be the purpose of the Air Force to see to it that this continues to be true in the future. If, however, it should be the belief of the Congress that the codification of this policy is either necessary or desirable, the Air Force can see no objection to the enactment of a provision which does this directly and clearly. Any enactment which is designed to prevent unnecessary and uneconomical duplication in supply activities should, of course, apply to all three services equally, since the problem of duplication is not confined to any one service.

With that thought in mind, we submit the following substitute for section 640 which we think will achieve the desired purpose, in plain language, without any of the harmful consequences that would result from section 640 in its present form:

"SEC. 640. No part of the funds appropriated in this act shall be used by any of the services for the purchase, rental, construction, or expansion of any warehouse, depot, or other supply, storage, or distribution facility which unnecessarily and uneconomically duplicates adequate and available facilities of one of the other services; nor for the pay and allowances of additional personnel to perform any supply service or function in any geographical area related to distribution, storage, or maintenance previously performed for such service in such area by one of the other services which can continue to be performed by the existing personnel of such other service with adequate effectiveness and greater economy."

DISCOVERY OF FORGOTTEN TOOL DEPOT

Mr. GILPATRIC. Now, I want to make it perfectly clear by what I am saying I am not being critical of the members of Congress who comprise that committee, because they are sincere conscientious people who did a very large, extensive job. I do feel there are some very definite misunderstandings that grew up in their mind as a result of some information they got in the field.

Senator FERGUSON. Of course that is the only way you can get the information is field information.

Mr. GILPATRIC. In addition, though, Senator Ferguson, you have to come to those who are responsible by law for the decisions and for actual——

Senator FERGUSON. All right, but you go up to Adak and you find a million dollars worth of tools. I am just of the opinion that until they were found by the Bonner committee that the military had forgotten about them. Just think of it, a million dollars worth of tools and things in storage at Adak that they did not need there and we had a shortage of tools and equipment here.

Now, going back to this inventory of your parts, and so forth, do you know how many millions or billions of dollars of parts you have stored? We discovered out in the Pacific that they were improperly marked. They just threw them away because they did not know anything about what was in the boxes.

Mr. GILPATRIC. That condiition does not prevail in the Air Force supply system today. Now, maybe we would fall in the same area if we were dispersed in the way some of the units of the Army are.

INVENTORY SUPPLY REPORTING SYSTEM

Senator O'MAHONEY. What is your supply system now?

Mr. GILPATRIC. We have a reporting system that gives us every quarter a complete inventory of the stock levels of all of our depots.

Senator FERGUSON. How many parts have you for airplanes, dollar value?

Mr. GILPATRIC. We carry 800,000 items in our supply system.

Senator FERGUSON. What do you think you have in dollars?

Mr. GILPATRIC. I cannot give you a dollar value.

Senator FERGUSON. Have you anyone going around independently under the civilian heads that are looking into these things?

Mr. GILPATRIC. Yes, sir.

Senator FERGUSON. And discovering how many parts they have, how many years supply they have on into the future?

Mr. GILPATRIC. Yes, we do.

Senator FERGUSON. What do you get? What do your reports show? Can we see some of your reports?

STUDY OF DISTRIBUTION SYSTEM

Mr. GILPATRIC. Yes. You can see the Learned report he is making of our distribution system. We have to do this constantly. You cannot just do that once.

Senator FERGUSON. I realize that.

Mr. GILPATRIC. But in addition to our regular reporting system whereby each depot commander reports to the commanding general, the Air Matériel Command, exactly the changes in and out of that particular depot so that we know four times a year on the basis of physical inventory what goes in and out of that deport. We know what those items are.

Senator FERGUSON. Do you know how much stock you have so that you know how many years supply you have of one item?

Mr. GILPATRIC. Yes, we do. We know it all by item. Fortunately our supply system is now handled pretty much on a mechanized basis.

Senator FERGUSON. Is this check under civilian or under military?

Mr. GILPATRIC. This is under civilian. This check was made under Doctor Learned, who is on leave from the Harvard Business School.

Senator FERGUSON. But did he use military personnel to make this check?

Mr. GILPATRIC. No. He got a team from the Harvard Business School, wholly independent from the military personnel.

Senator O'MAHONEY. When was that done?

Mr. GILPATRIC. Last year.

Senator FERGUSON. Could we see the report?

Mr. GILPATRIC. Yes.

(The information was supplied to the committee.)

Senator O'MAHONEY. I suggest that we give the Secretary about 10 minutes of uninterrupted time to make his statement so that we will have it in one place in the record.

You were giving your summary. I would like to have you make your comment now in summary fashion on this supply system.

BACKGROUND OF BONNER REPORT

Mr. GILPATRIC. Let me start by saying that the thesis of the Bonner committee is that the Air Force, contrary to the spirit and the letter of the Unification Act and the policies directed by the Secretary of Defense, is setting out to create a third independent pipeline or system of supplies. Now, it is with that fundamental premise that we take issue because ever since the Air Corps started as part of the Signal Corps of the Army in 1917 we have had a supply system. All the time the Air Force was part of the Army it had its own supply system. The supply system has grown with the Air Force. We had our first depot in 1917, a depot in Middletown, Pa. As the Air Force has grown, so has the number of depots grown. Eighty percent of all of these items used in the Air Force and which comprise the Air Force supply system are stored, issued, and maintained out of Air Force depots.

Now, a great part of those are purchased for use by the Army and to some extent the Navy. I want to make a clear distinction, when I am talking about supply systems, between procurement and distribution because there is no question that we use the facilities of the Army technical services and of the Navy to a lesser extent in purchasing common-use items and also some technical items but principally common-use items.

Senator O'MAHONEY. Now, do you mean by that that you do not have an independent procurement system?

PURCHASE OF TECHNICAL EQUIPMENT

Mr. GILPATRIC. That is, only our technical equipment, items which are unique to the Air Force, do we buy ourselves.

Senator FERGUSON. You have 34,000 personnel in that department?

Mr. GILPATRIC. Just for technical equipment, but when we are going to buy uniforms or when we are going to buy ammunition or subsistence or the thousands of housekeeping items, we will go to the Army or the General Services Administration or, in the case of something like paint and hand tools, to the Navy, depending on how that procurement assignment has been directed by the Munitions Board, and some 400,000 items are purchased for us by the procurement organizations and tested by the testing facilities of the other services. So there is no duplication there, and even when you come to aircraft, the technical items, the Bureau of Aeronautics of the Navy and the Air Force have a system whereby we buy North American planes for them, they buy Pratt & Whitney engines for us.

Every aircraft plant in the country is assigned to either the Navy Air or the Air Force, and we do not have duplicate inspection, we do not have duplicate administration. We work it out so that we use their abilities and they use ours, but in the common-use items, we have never built a procurement organization. We go to the Quartermaster, we go to the Signal Corps, we go to the Corps of Engineers to buy our construction equipment. Once that equipment has been bought, it has to go into our supply system at some point.

JOINT WAREHOUSING

Now, there is no qeustion that when it comes to the actual issue at base level it has to be in a bin or a warehouse at a base. It cannot be at an Army base for use at an airport.

Senator FERGUSON. If the Army has a base, why can it not be?

Mr. GILPATRIC. There are many places where the Air Force is all by itself or it is the dominant factor.

Senator FERGUSON. Certainly, but we are talking about other places where they are not.

Mr. GILPATRIC. There are very few places now where the Army and the Air Force have combined bases. There are some bases where the two are adjacent, but the point that I think we failed to get over to the Bonner committee is that for every ton of supplies it takes just so much space, so many personnel, to handle it and it does not make any difference whether it is an Army warehouse, Navy warehouse, or Air Force warehouse.

Senator FERGUSON. You see, the Bonner committee is opposed to your having the separate unit. You are making the argument that you have it, you have always had it and therefore you are not changing the rules.

Mr. GILPATRIC. We are not asking Congress for one dollar to transfer any supply functions from the Army to the Air Force.

Senator FERGUSON. Because you claim you have always had it.

Mr. GILPATRIC. No; we are taking over one step in supply function, namely the storage and issue out of depots, central warehouses, as opposed to base warehouses. You see, if we go to the Army Quartermaster and we ask him to procure for us so many uniforms, the question comes down, "Should those uniforms be delivered from the fabri-

cator, from the manufacturer, to an Army depot or to an Air Force depot?" Now, we have to account for that. The funds which we buy uniforms with are appropriated to us.

DELIVERY TO AIR FORCE DEPOT

Senator FERGUSON. Yes; but your argument is that you want them delivered to an Air Force depot.

Mr. GILPATRIC. Yes; and it does not make any difference so far as expense to the taxpayer is concerned.

Senator FERGUSON. Yes, it does. You might have that same storage space in an Army warehouse.

Mr. GILPATRIC. No.

Senator FERGUSON. Well, that is the question. You say, "No."

Mr. GILPATRIC. Let me give you a specific example. In Alaska the Army was planning to build 600,000 additional square feet to take care of Air Force storage and issue because our forces are growing there on a greatly expanded basis. Because of the importance of protecting that part of the country from possible Soviet attack, we have a very large operation up there. There was no question of duplicating facilities. Somebody had to build additional warehouse space.

When the Air Force was given funds by the Appropriations Committee of Congress a year ago, the Army gave up its plans for building 600,000 square feet of space. The question simply was whether the Army should build that or the Air Force.

UTILIZATION OF ARMY DEPOTS

Senator FERGUSON. Why does not the Air Force take over that if you have the major portion of it?

Mr. GILPATRIC. We do. We have a system which is flexible enough to take care of different areas of the world. When we are in Hawaii and the Canal Zone, we rely on the Army. In Greenland, North Africa, the Philippines, and other places we are the dominant service, and there we take care of the Army.

Senator FERGUSON. Does the Army have warehouses there?

Mr. GILPATRIC. Not when they rely on us.

Senator FERGUSON. I want to know the places that within a reasonable distance you both have these facilities.

(Classified information was supplied to the committee.)

Mr. GILPATRIC. On Okinawa I am sure we both have warehouse space, but none of it is empty. You see, when the Air Force grows from 48 wings to 143 wings, from——

Senator FERGUSON. Sure, you are going to be the dominant part.

Mr. GILPATRIC. We are going to have to have more supply service.

Senator FERGUSON. Why should you not take over all of it?

Mr. GILPATRIC. Because the Army is still going to have its own supply problems. I think, unless you want to make this whole Military Establishment into a Post Office Department where you have one central organization to service all three—and I think American business experience has shown that you get way beyond the point of diminishing returns when you centralize operations to that extent—business procedures have shown that at a certain point decentralization brings about real savings and real economies. Now, the fact

that we can increase our present force, our striking forces, by 50 percent with only 17-percent increase in personnel——

Senator FERGUSON. That may only show one thing, you had too many before. That does not prove anything at all.

Mr. GILPATRIC. If it proves that we had too many before, we are making them go further.

Senator FERGUSON. That is all it does prove. It does not prove the other item.

Mr. GILPATRIC. I feel very strongly, Senator, that our efforts simply to have the manufacturer of certain common-use items ship the goods direct to an Air Force depot, is no duplication because the Army is not building, the Army is not providing, that space.

Senator FERGUSON. The trouble is that you fellows ship it all by air, or most of it.

TRANSPORTATION

Mr. GILPATRIC. No. We ship a great deal by truck and rail.

Senator FERGUSON. Have you got ships?

Mr. GILPATRIC. The Navy ships.

Senator FERGUSON. Do you ship by the Navy ships?

Mr. GILPATRIC. Yes.

Senator FERGUSON. How much? Do you not transport a lot of it by air?

Mr. GILPATRIC. If we need some jet engines and wing tanks in Korea, we may fly them out. It depends on the value of the item, how much it cost, how quickly it is needed. We do not fly uniforms around.

DUPLICATION OF WAREHOUSING

Senator O'MAHONEY. Let us get back to these depots. You have stated, so far as procurement is concerned, there is no duplication. I understand you to say that with respect to airfields, air bases where there are no Army bases nearby you, of necessity, have to have Air Force distributing centers, is that right?

Mr. GILPATRIC. Yes.

Senator O'MAHONEY. Now, do you have any duplicate Air Force depots in bases where the Army has some?

Mr. GILPATRIC. No.

Senator FERGUSON. You have Okinawa.

Mr. GILPATRIC. We each have our own, but we do not duplicate. You see, the thought behind duplicating is that we are doing something that the Army could do for us if we did not. That is not so. Either the Army has to build another warehouse or we do.

OKINAWA SUPPLY DEPOT

Senator O'MAHONEY. Let us get down to Okinawa. What do you have in your depot at Okinawa, what sort of stuff do you have?

Mr. GILPATRIC. We have B–29 engines. We have all the supplies and equipment necessary to support an attack wing from which all our bombing attacks on Korea are launched. That is our big bomber base in the Far East.

Senator FERGUSON. Would it be an economy if instead of having these in an Air Force depot they were in an Army depot?

Mr. GILPATRIC. No, because you would have the same number of personnel, the same number of feet of space and you would have no saving whatsoever.

Senator FERGUSON. I know how much these men work in these depots, I have been around to them. When you say you would have to have the same number of men, in a lot of merchandizing businesses one clerk could do twice as much business. Your entry clerk could do many times, twice as much business.

Mr. GILPATRIC. We should not have him to begin with. When you come to handle so many engines or so many parts, one man can only move so much equipment.

Senator FERGUSON. That is right. Now, you are furnishing all your material on Okinawa out of your warehouse?

Mr. GILPATRIC. That is correct.

Senator FERGUSON. They are furnishing what?

Mr. GILPATRIC. They are supplying their own forces out there.

Senator O'MAHONEY. There is such a thing as Okinawa, you have established a depot and you have certain numbers of personnel. Sometimes they are busy and sometimes they are not. You can bring in more material without increasing your personnel. There is that situation which must be recognized. On the other hand, if the supply of material is so great that the Army cannot use it, you mean that the Army cannot handle it, then I can see some justification for you having your own distribution.

Mr. GILPATRIC. If this was a case of having an existing supply system in the Army sufficient to take care of Air Force needs, of course, it would be wasteful to add on.

SEA TRANSPORTATION

Senator FERGUSON. When you ship to Okinawa do you ship in a ship that takes Army, Navy, and marine shipments?

Mr. GILPATRIC. Yes. The Military Sea Transport Service handles sea shipments, marine shipments for all four arms.

Senator FERGUSON. Now, there are only two ways of transporting out there, one is by air, the other is by ship. You say the sea shipments are all under one?

Mr. GILPATRIC. We furnish through the air for all the services and Navy furnishes all the sea transportation. Those are joint agencies in the sense that they serve all three services.

Senator FERGUSON. How much more do you serve for yourself out there than you do for the Army by air?

Mr. GILPATRIC. Ninety-five percent of all our transportation of supplies go by ship. We only use air where there is some vital need for an essential piece of equipment that has a very high value.

Senator FERGUSON. I want a report for the committee on the hangar you built at Sopiro in Hokkaido where all of it was flown by air. I would like to have a report as to why it went by air, why you even needed it.

(The information requested follows:)

Information has been received from the Commanding General, Far East Air Force, that a hangar was constructed at Sapporo by the Air Force. There is no record at Headquarters, Far East Air Force, of a hangar having been shipped by air to Sapporo but further investigation is being made.

Additional information concerning this matter will be furnished upon receipt from the Commanding General, Far East Air Force.

Senator O'MAHONEY. Let me ask you, Mr. Secretary, how do you obtain authority to build a separate Air Force base?

Mr. GILPATRIC. We have to go through four congressional committees after being exposed to the tender mercies of the Bureau of the Budget and the Secretary of Defense. I have not found the committees overlooking any lack of justification for our requests.

AUTHORITY OF SECRETARY OVER SUPPLY SYSTEM

Senator O'MAHONEY. Does the Secretary of Defense have the authority under the Unification Act to tell the three services what they must do with respect to supplies?

Mr. GILPATRIC. He certainly has and he exercises that authority. We have at the present time a prohibition against any expansion of our supply system without his authority. We have certain plans we have not put into effect because he has not given us approval.

Senator O'MAHONEY. You have no voluntary power to act on your own initiative?

Mr. GILPATRIC. We certainly do not. You will remember, Mr. Chairman, you asked the Secretary at the beginning of these hearings to come up with a substitute for this section 640 to which we take such exception. We have done that. We feel that the Secretary of Defense has sufficient authority now which he utilizes to prevent any duplication or uneconomical expansion of anybody's supply system. We have put into this statement which I have filed with the committee a revision of section 640 which I think will accomplish that. It is on the last page of the statement and it is designed to meet your request of the Secretary. I have explained in the statement why section 640, as adopted by the House, would have just the contrary effect from what is intended.

GENERAL PROVISIONS, SECTION 640

I have here a statement from the Army Chief of Budget who says specifically that they could not operate under that section without getting more funds from Congress because they made no provision in their budget to take over services for the Air Force which the Air Force is now taking care of itself.

Senator O'MAHONEY. Will you put that in the record?

Mr. GILPATRIC. Yes.

(The statement referred to follows:)

MAY 29, 1952.

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

Subject: Effect of section 640, Department of Defense Appropriation Act, 1953.

1. Reference is made to section 640 of the Department of Defense Appropriation Act, 1953, as passed by the House on April 9, 1952, reading as follows:

"No part of the funds herein appropriated shall be used to expand the personnel, facilities, or activities of the Department of the Air Force to establish or maintain a separate system for providing such supplies and services as were furnished to the Department of the Air Force by the Department of the Army prior to August 1, 1951."

2. The quoted provision is not clear as to meaning or intent, and is accordingly subject to varying interpretations. For example, it may be interpreted as either freezing the supply system as of August 1, 1951, or as prohibiting Air Force from providing for itself any service provided by the Army at any time prior

to that date. It may be interpreted either as permitting the Air Force to continue providing additional services in supply categories assumed by it prior to August 1, 1951, or as prohibiting the establishment of new facilities (such as commissaries) in such general categories. It may be interpreted either as permitting the Army to provide supply services with reimbursement from Air Force funds, or as prohibiting such use of Air Force funds to procure supply services from the Army.

3. Regardless of the interpretation which may be placed upon the above wording, or the intent of its sponsor, there are certain practical effects which would result from the enactment into law of this section. No funds have been included in the 1953 Army budget to provide the supply services which would presumably be within the prohibition. Therefore, if the section is enacted, such services as the Air Force may call upon the Army to perform, and as can be performed within the Army capabilities not related to funds, can be provided by the Army only upon a reimbursable basis.

4. The foregoing is brought to your attention with the request that every effort be made to insure that such wording as may appear in the act, if the section is not deleted, permit reimbursement as set forth above to make possible the continuation of Air Force supply services.

For the Comptroller of the Army:

G. HONNEN,
Major General, GS, Chief, Budget Division.

Senator O'MAHONEY. What other witnesses did you want to present?

General STONE. I was going to give a little picture of the fiscal plan, Mr. Chairman.

Senator O'MAHONEY. You will be ready to bring up tomorrow the answers to the questions we asked this morning?

General STONE. Yes, sir.

Senator O'MAHONEY. We will proceed tomorrow morning at 10 o'clock. We will have a fiscal statement with this information that we want.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:20 p. m., Thursday, June 5, 1952, the hearing was recessed until 10 a. m., Friday, June 6, 1952.)

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